

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION )  
OF FORTVILLE MUNICIPAL WATER )  
UTILITY FOR A NEW SCHEDULE OF )  
RATES AND CHARGES )

CAUSE NO. 43551-U

FILED

NOV 19 2008

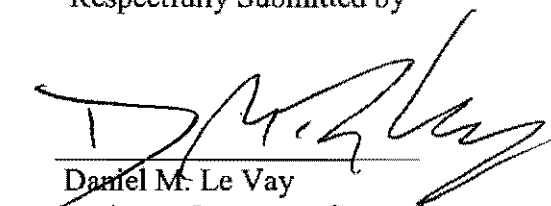
REPORT OF

INDIANA UTILITY  
REGULATORY COMMISSION

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

NOVEMBER 19, 2008

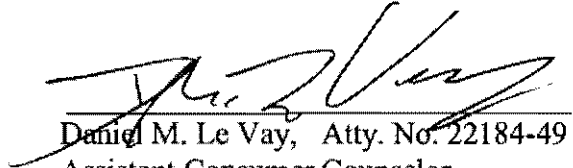
Respectfully Submitted by

  
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## CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing has been served upon the following parties of record in the captioned proceeding by electronic mail on November 19, 2008.

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**REPORT OF THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR**  
**CAUSE NO. 43551-U**  
**FORTVILLE MUNICIPAL WATER UTILITY**

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**REPORT OF THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR**  
**CAUSE NO. 43551-U**  
**FORTVILLE MUNICIPAL WATER UTILITY**

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**I. RELIEF REQUESTED**

On August 7, 2008, Fortville Municipal Water Utility (alternatively referred to as "Fortville" "Petitioner") applied for rate relief to the Indiana Utility Regulatory Commission ("Commission") under the small utility filing procedures (170 IAC 14-1). In its application, Fortville stated it requires an across-the-board rate increase of 96.75% to generate additional revenues of \$510,836 (1) to cover its increased operating expenses and (2) to provide financing for its proposed \$3.5 million Capital Improvements Program.

**II. BASIC CHARACTERISTICS OF THE UTILITY**

Fortville Municipal Water Utility is located in northeast Hancock County and delivers approximately 445,000 gallons of water per day (gpd) to approximately 1,730 customers, which include 1,610 residential customers, 87 commercial, 5 industrial, and 28 other. Customer growth is 1% or less annually from 2000 to 2005. The Town of Fortville also operates municipal wastewater and stormwater facilities that are not a part of this cause. Petitioner's last general rate order was issued in Cause No. 40968-u on January 15, 1999. On December 1, 1999, in Cause No. 41537 the Commission approved a decrease in Petitioner's base rates and authorized a capacity fee of \$1,200 per lot.

**III. PLANT AND OPERATIONS CHARACTERISTICS**

**Source of Supply:** Petitioner uses three 10" wells, each of which is capable of

producing 1,000 gallons of water per minute (gpm). The wells were drilled in 1965, 1975 and 1984. The wells are capable of being run under standby or auxiliary power. Petitioner regularly cleans and maintains its wells. According to Petitioner's 2007 IURC Annual Report, an average of 430,000 (gpd) was pumped from wells to distribution, but only 276,000 gpd was sold resulting in a water loss of 35.8%.

**Water Treatment Plant:** Petitioner has a conventionally designed treatment plant consisting of aeration and filtration. Petitioner also accomplishes softening through the use of a Zeolite or salt softening process. Water in excess of 200 mg/l or twelve grains per gallon is generally considered "hard" water. Finished water hardness, as measured by calcium carbonate ( $\text{CaCO}_3$ ) content, is reduced from approximately 300 mg/l to 70 mg/l. Hard water requires more soap for cleaning or laundry purposes and readily deposits a calcium scale on appliances and fixtures. Producing soft water is more expensive but beneficial to customers by eliminating scale and the need for home softening units unless near zero hardness is desired. Petitioner's finished water hardness ranges from below 70 to 120 mg/l with an average trending toward 70 mg/l

Petitioner adds chlorine for disinfection and fluoride for dental health. Four (4) 30 Hp high service pumps, each capable of pumping 500 gpm, pressurize distribution mains and fill the elevated tank. The treatment plant is capable of processing 1.4 million gpd.

**Distribution and Storage:** The distribution network contains approximately 26.5 miles of 2" to 12" pipe along with approximately 235 fire hydrants and 341 valves. There are no booster pumps or multiple pressure zones in the Utility's service area. Storage consists of a 300,000 gallon steel elevated tower, which is scheduled to be completely

renovated. Petitioner regularly operates its hydrants and valves and flushes mains.

#### **IV. DESCRIPTION OF ISSUES AND SUMMARY OF REPORT**

In its application, Fortville stated it requires an across-the-board rate increase of 96.75% to generate additional revenues of \$510,836 to (1) provide financing for its proposed \$3.5 million Capital Improvements Program and (2) cover its increased operating expenses. As discussed below, Petitioner's proposal for approval of financing for its capital improvement program currently lacks adequate support and is consequently premature. As a result, the OUCC recommends that the financing not be approved at this time, but that it be approved only after additional pertinent information is provided as part of a subsequent phase of this cause. Meanwhile, the OUCC believes an increase in rates is warranted to address increased operation and maintenance costs as discussed in the pertinent sections below. This report will describe Fortville's Capital Improvement Program, explain why the requested financing approval should not be approved at this time, explain the OUCC's proposed accounting adjustments, and recommend certain changes in the utility's operations. Finally, the report will include written comments received from customers of Fortville, who participated in the public field hearing.

#### **V. FORTVILLE'S CAPITAL IMPROVEMENT PROGRAM (CIP)**

Petitioner proposes system improvements consisting of a new 500,000 gallon elevated tank at a cost of \$1,530,000, rehab of its existing 300,000 gallon tank at a cost of \$350,000 and various water main extensions at a cost of \$1,160,000. In order to fund these projects, Fortville Water has submitted an application to the Indiana State Revolving Fund (SRF) in the amount of \$3,500,000 including soft costs such as

engineering, inspection, legal, bond, etc.

**New 500,000 gallon elevated tank:**

Since a one day storage supply standard<sup>1</sup> is generally recommended absent of fire flow considerations and being that Petitioner is short of this recommendation by approximately 110,000 gallons (440,000 gpd demand minus 300,000 gallons storage), a 500,000 gallon storage tank is being proposed. However, the standard also references a caveat in that excessive storage capacity should be avoided where water quality deterioration may occur. In Petitioner's case, excess storage, with a 500,000 gallon tank, will approach 400,000 gallons (700,000 gallons total storage minus 300,000 gallon demand) during the winter months of operation and as such may require a smaller tank or special operating procedures.

**Refurbishing 300,000 gallon tank:**

The Utility estimates a cost of \$350,000 in order to completely rehabilitate its 300,000 gallon elevated tank. This project will include applying a three-part coating system to the exterior and a two-part coating system to the interior. The project will require shrouding the entire tank and disposal of lead paint.

**Delay of Water Main Extensions:**

Because of the unanticipated higher estimated cost of the proposed elevated tank, Fortville has amended its plan to reduce main extension projects by approximately \$184,000. For example, Fortville will defer the Helmcrest Project at a cost of \$471,100 even though records show residual pressure in the single digits at rather marginal flows of

300 to 400 gpm. Fortville will move forward on its plan to devote \$1,160,000 to main extension and looping projects, which constitutes about one-third of its proposed \$3.5 million debt.

## **VI. PROPOSED FINANCING**

To fund the foregoing projects, Petitioner plans to borrow \$3.5 million from the State Revolving Fund (SRF). Petitioner's proposed increase assumes a 20-year loan at an interest rate of 4.0%. Page 18 of Petitioner's application indicates an annual payment of \$257,536 for proposed debt service. Petitioner also included as a revenue requirement in its proposed rates \$51,507 per year to fund its debt service reserve.

For Fortville to borrow funds from the State Revolving Fund, it must submit to SRF a Preliminary Engineering Report. But as of the filing of this report, it does not appear that Petitioner has submitted a Preliminary Engineering Report (PER) to SRF. (When it initially filed its application, Fortville had not completed a PER and no PER has yet been provided to the OUCC.) The OUCC also needs to evaluate the PER as part of its review of Petitioner's proposed increase. During a recent discussion, Petitioner indicated its PER would be completed in mid November, but as of the date of this report Petitioner has not provided the OUCC a PER for review. Until a PER has been completed and provided, the OUCC will not have had an opportunity to evaluate the necessity of Petitioner's proposed project. Project details such as pipe size, length or manner of determining the priority of the components of the project are not known. Likewise, the

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<sup>1</sup> See "Recommended Standards For Water Works" 1997 Edition, Section 7.0.1.



scope of the planned refurbishing and justification for the new tank has yet to be provided. Finally, without a PER, the Commission and the OUCC will not be able to determine whether the amount of the proposed loan is appropriate. Therefore, the OUCC proposes that the rate increase to follow this report exclude the proposed debt.

The OUCC also proposes that, in order to avoid any further delay and expense associated with having to file a new rate case, this case should be left open until Fortville is further along in its process to borrow funds. More specifically, the OUCC proposes that the financing portion of this rate case be deferred until Fortville has completed a PER and provided it to the OUCC for evaluation. (Since Petitioner will not incur an expense related to its proposed borrowing, the utility will not be placed at a disadvantage by deferring this portion of its rate increase. On the other hand if the Commission authorizes rates for the proposed debt now, Petitioner will collect revenues for an expense it is not incurring.)

Assuming Fortville is able to justify its projects and its financing, this would require not one but two additional phases. Typically, SRF loans allow deferral of principal payments and only require interest payments for approximately two years. Until principal payments are actually incurred, Petitioner's ratepayers should only be required to provide revenues to make the interest payments. Thereafter, once the utility is required to make payments of both principal and interest, the final phase of the increase can be determined and implemented. When a proposed amortization schedule is provided to the OUCC, the specific timing of the second additional phase can be determined.

Fortville has over-funded its debt service reserve for its current debt by approximately \$77,000. These funds should be used to either reduce the amount to be borrowed for the proposed projects or reduce the amount required for the associated debt service reserve.

In light of the OUCC's recommendation that the proposed financing be approved in a later phase of this cause, the Commission need not address Petitioner's proposed debt service reserve. However, it will hopefully assist Petitioner's preparation of the proof required in the next phase to express the OUCC's opinion about Petitioner's proposed debt service reserve. Petitioner's proposed debt service reserve ignores the interest that Petitioner will earn as it builds up its debt service reserve. Based on its figures, Petitioner needs to accumulate \$257,536 over five years. But this figure may change if the OUCC subsequently disagrees with any portion of Petitioner's proposed project. The debt service reserve is a restricted account and it will earn interest. A reasonable level of interest (2.5% to 3.0% per year) should be imputed into the determination of Petitioner's annual revenue requirement for debt service reserve. Also, since a debt service reserve is a restricted account, if Petitioner withdraws funds from its debt service reserve for any reason other than to make the final payment on its proposed loan, Petitioner should be required to notify both the OUCC and the IURC that it intends to take funds out of its debt service reserve and explain why. These matters should be addressed in the subsequent phases of this cause. Meanwhile, Petitioner should be authorized a rate increase as discussed below.

## **VII. REVENUES AND EXPENSES JUSTIFYING A RATE INCREASE**

The attached Schedule 1, Page 1, summarizes the revenue requirements as presented by

both Fortville Municipal Water and the OUCC. The following discussion, along with the attached schedules, explains the differences between Fortville's and the OUCC's proposed revenue requirements. Fortville Municipal Water proposed a total revenue requirement of \$1,021,695 (\$1,016,125 + \$5,570) for an overall rate increase of 107.63<sup>2</sup>. Fortville's proposed rate increase includes the cost of financing \$3.5 million of proposed water improvements projects. Excluding the proposed financing from rates, the OUCC proposes a total revenue requirement of \$630,784 (\$629,657 + \$1,127) or an overall rate increase of 21.13%. The OUCC's proposed rate increase includes only the increase in current revenue requirements and excludes the proposed financing. The OUCC's proposed total revenue requirement has been reduced by \$2,139 of interest income earned during the test year, which is a recurring income component. The basic differences between the two proposals are summarized in the following table:

	<u>Per</u> <u>Applicant</u>	<u>Per</u> <u>OUCC</u>	<u>OUCC</u> <u>More (Less)</u>
Operating Expenses	\$ 417,319	\$ 402,214	\$ (15,105)
Taxes Other Than Income	3,825	19,287	15,462
Depreciation	131,583	61,730	(69,853)
Payment in Lieu of Taxes	11,000	11,072	72
Working Capital	8,155	2,293	(5,862)
Debt Service - Existing Debt	135,200	135,200	-
Debt Service - Proposed Debt	257,536	-	(257,536)
Debt Service Reserve - Proposed Debt	51,507	-	(51,507)
Total Revenue Requirements	1,016,125	631,796	(384,329)
Less: Interest Income	-	(2,139)	(2,139)
Add: Utility Receipts Tax	5,570	1,127	(4,443)
Net Revenue Requirements	<u>\$ 1,021,695</u>	<u>\$ 630,784</u>	<u>\$ (390,911)</u>

<sup>2</sup> Fortville Municipal Water filed Cause No. 43351-U with a proposed rate increase of 96.75%, but this rate increase was calculated using total revenues instead of only revenues subject to increase. Re-calculating the proposed increase yields an actual rate increase of 107.63% is required.

**Obstacles to Determining Petitioner's Revenues and Expenses**

As discussed below, Fortville has been using the single entry method for keeping its books and records. Fortville made no distinction regarding what is revenue, expense, or capital when recording test year transactions. Fortville made some adjustments to the amounts shown in its ledger prior to preparing its "test year" income statement for this rate case. These adjustments were not itemized or discussed in its rate case filing. The OUCC took a different approach and included all cash receipts and disbursements in its "test year" income statement and then made adjustments for those items that were not appropriately includable in rates. The only exception to this approach is that the OUCC did not include any cash receipts or disbursements related to customer meter deposits, principal payments, sales taxes received or sales taxes paid. The result of these different approaches is that the OUCC has a different "starting point" than Fortville – The OUCC starts with test year operating income of \$187,495 while Fortville shows test year operating income of \$122,275.

**A. Revenue Adjustments****Operating Revenues**

The OUCC did not accept Fortville's *pro forma* operating revenues. First, the OUCC proposed several reclassifications to the income statement to more accurately reflect the nature of test year revenues and expenses. (See OUCC Schedule 3.) The OUCC then further classified revenues into greater detail on OUCC Schedule 4 to properly classify those revenues subject to increase and those that are not subject to increase. The OUCC separated operating revenues into the following categories: water sales, fire protection – public and private, contract water sales, tap fees, and other operating revenues. Water

sales and fire protection are subject to increase; all other revenues are non-recurring cost based revenues and are not subject to increase. (See OUCC Schedule 4.)

**Water Sales -- Elimination of Outside Corporate Limits Surcharge**

Fortville's current tariff includes a 50% outside corporate limits surcharge imposed on customers that live outside the corporate boundaries. Although this surcharge has been included on Fortville's tariff since at least 1980, the OUCC could not find any Commission approval for this surcharge. Moreover, the Town of Fortville has annexed several sections of land around the town and currently there are few customers in the out of town surcharge category – approximately 10. The few outside customers that remain are being served by the same infrastructure as customers located inside the town corporate limits – in some cases literally across the street from each other. There is no additional cost incurred by Fortville to serve these outside customers. For these reasons the OUCC proposes that the outside corporate limits surcharge be eliminated from Fortville's schedule of rates and charges. Total water sales from outside customers in the test year were \$10,772 including surcharge collections of \$3,591. Eliminating the surcharge will have a minimal effect on revenues generated from outside the city limits and can be easily absorbed by the customers of the entire system.

In light of the foregoing, the OUCC included an adjustment to eliminate the surcharge collected from outside customers during the test year. This adjustment yields a *pro forma* decrease to water sales of \$3,591. (See Adjustment 1, OUCC Schedule 5.) Finally, it should be noted that the elimination of this surcharge will result in an overall **decrease** in

rates for these outside customers in this phase of the rate case since the proposed increase is less than the 50% surcharge being eliminated.

#### **Water Sales – Removal of Sales Tax Receipts**

Fortville included February and July sales tax receipts in water revenues during the test year. The OUCC eliminated the sales tax receipts from revenue because Fortville merely acts as an intermediary to collect and remit these funds to the State of Indiana. Sale taxes collected and remitted are not revenue. Therefore, the OUCC reduced water revenues by \$3,619. (See Adjustment 2, OUCC Schedule 5.)

#### **Water Sales – Contract with Mt. Vernon Schools**

In Cause No. 41537, the Commission approved a potable water tap on contract with the Mt. Vernon Community School Corporation. This contract provides for monthly payments of \$1,500 for a maximum of 50,000 gallons of water per day. These revenues (\$18,000) have been classified as revenues not subject to increase as the contract specifies how and when the rates can be increased. Currently, Fortville has no procedure set up for reviewing and increasing the price charged under this contract. The contract set the price for seven years. After the initial seven years, the price can be increased using the consumer price index as a ceiling. The contract also requires notification of any price increase by June 1<sup>st</sup> of the year preceding the year it intends to initiate an increase. The OUCC recommends that Petitioner set up a procedure to review the price charged under this contract in order to comply with its terms and ensure that the rates charged represent Fortville's current cost of producing water.

**Public Fire Protection**

Fortville recorded hydrant revenues on approximately 200 hydrants during the test year. According to utility personnel, there are currently 235 hydrants in the town. The OUCC adjusted hydrant revenues to reflect 35 additional hydrants at \$498.72. Adjustment 3, OUCC Schedule 5, yields a pro forma increase of \$17,545 to test year revenues.

**Tap Fees**

Fortville Municipal Water recorded its tap fees and its contribution fee, which it calls an “availability fee” as revenue. Availability fees should be recorded to the balance sheet as contributions in aid of construction rather than revenue on the income statement. Tap fees are cost based charges to cover costs of connecting new customers and should likewise not be considered revenue. The OUCC has eliminated \$67,431 from operating revenues. (See Adjustment 4, OUCC Schedule 5.)

In Cause No. 41537, where the IURC approved the \$1,200 availability fee, Fortville was ordered to place all availability fees collected in a separate restricted fund to be used for future capital improvement projects, including but not limited to a water storage facility. It does not appear that Fortville has complied with this portion of the order. Fortville has not set up a separate restricted fund or account where these funds have been accumulated. However, as discussed above, Fortville has overfunded its current debt service reserve account by approximately \$77,000. It is unknown how much Fortville has collected in availability fees, since 1999, but these excess reserve funds could be considered to be the remaining unspent availability fees. The OUCC recommends that Fortville set up the required restricted fund and begin recording any availability fees collected to this fund.

Further, the OUCC recommends that Fortville be required to report to the Commission and the OUCC, on an annual basis, the amount of availability fees collected and detail any disbursements made from this restricted fund. Finally, the OUCC recommends that Fortville be directed to record availability funds as contributions in aid of construction on its balance sheet.

Regarding tap fees, the OUCC recommends that Fortville also record the tap fees collected from new customers as contributions in aid of construction. Correspondingly, the costs associated with these new customer taps should be capitalized as part of Utility Plant in Service on its balance sheet.

#### **Other Revenues**

During the test year, several non-recurring revenue items were recorded by Fortville. First, Fortville wrote off an outstanding check from 2004 in the amount of \$1,117. Second, Fortville recorded cell tower revenue from Bright House in the month of July 2007 in the amount of \$150. During the test year, Fortville had a contract with Bright House for cell tower rental at \$150 per month. However, only one month of this revenue was recorded to the water utility, with the rest of the revenues recorded to the town's general fund(s). Since the end of the test year, the contract with Bright House has been cancelled and the Town now has an arrangement with a new company, Orbit Communications. Orbit provides the water utility with free internet service in exchange for placement of its cell tower on the water tank (per utility personnel). Therefore, rather than recording cell tower rental revenues, the OUCC has eliminated test year internet expense (see Adjustment 6, OUCC Schedule 6). Finally, Fortville received \$1,349



during the test year from a customer for repair of a hydrant. This receipt is also non-recurring and should be eliminated from test year revenues. Adjustment 5, OUCC Schedule 5, yields a decrease to operating revenues of \$2,616.

### **B. Operation and Maintenance Expenses Adjustments**

The OUCC accepts Fortville's proposed rate case expense. The OUCC disagrees with the following operating and maintenance expense adjustments proposed by Fortville:

- Payroll Expense Increase (Adjustment 6-1)
- Employee Benefits (Adjustment 6-2)
- Maintenance and Repair (Adjustment 6-3)
- Depreciation Expense (Adjustment 6-10)

The OUCC proposes the following additional adjustments:

- Salt Price Adjustment (Adjustment 6-5)
- Internet Expense (Adjustment 6-6)
- Non-recurring and Capital (Adjustment 6-7)
- Legal Expense (Adjustment 6-8)
- Other Contractual Services (Adjustment 6-9)

#### **Payroll Expense Increase**

Although the OUCC agrees with Fortville's *pro forma* payroll expense, it disagrees with Fortville's calculation of the payroll expense adjustment. Fortville calculated the payroll expense increase using salaries that did not tie to the test year payroll expense thus overstating the adjustment required. The OUCC created an adjustment using Fortville's *pro forma* payroll expense amount and then subtracted the actual test year payroll expense. This yields a *pro forma* increase of \$11,013 to test year operating expenses, compared to Fortville's proposed increase of \$15,654. (See Adjustment 1, OUCC Schedule 6.)

**Employee Benefits**

Fortville proposed an employee benefits adjustment of \$5,688 that included PERF (\$1,893), health insurance (\$3,795), and FICA/Medicare expenses (\$1,197).<sup>3</sup> The OUCC calculated employee benefits to include PERF and health insurance and reclassified the FICA/Medicare expense to Taxes Other than Income. (See Adjustment 1, OUCC Schedule 7.) Although Fortville allocated 26.94% of Mr. Renner's payroll expense and PERF expense to the water utility, it charged 100% of Mr. Renner's health insurance to the water utility. The OUCC calculated PERF based on the *pro forma* adjusted payroll at 6.50%. The OUCC calculated the water utility's share of health insurance based upon September 2008 health insurance premiums and applied allocation percentages as necessary. The OUCC created an adjustment that calculates a *pro forma* employee benefits expense which includes PERF and health insurance and then subtracts test year employee benefits expense. This yields a *pro forma* increase of \$3,378 to test year operating expenses, compared to Fortville's proposed increase of \$5,688 (\$1,893 plus 3,795). (See Adjustment 2, OUCC Schedule 6.)

**Maintenance Expense**

Fortville Municipal Water's *pro forma* maintenance expenses are for existing transmission and distribution utility plant – 300,000 gallon elevated water storage tank – 1) outside painting and 2) inside cleaning and coating, pumping, other existing plant equipment, and general plant and vehicle maintenance. The OUCC accepted the transmission and distribution – elevated water storage tank – 1) outside painting and

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<sup>3</sup> Note that Fortville's adjustment neglected to include the portion related to payroll taxes.

pumping maintenance expenses proposed by Fortville, but did not accept elevated water storage tank – 2) inside cleaning and coating, the other existing plant equipment maintenance, or the general plant and vehicle maintenance. The OUCC added maintenance expense of \$2,000 for flushing/inspection of the inside of the existing water storage tank amortized over 4 years, \$10,000 for a leak detection survey amortized over 5 years, and \$5,000 annually for a large meter testing program. The OUCC believes that test year expenses recorded for general plant and vehicle maintenance are adequate and no further adjustment is necessary. The OUCC is proposing that test year operating expenses be increased by \$30,375. These additional expenses are incurred regularly but not on an annual basis. A review of Fortville's materials and supplies expenses indicates that no expenses for these items were incurred during the test year. The OUCC is therefore not reducing this proposed adjustment for any test year expenses. This yields a *pro forma* increase of \$30,375 to test year operating expenses, compared to Fortville's proposed increase of \$6,218. (See Adjustment 3, OUCC Schedule 6.) Also see Engineering Recommendations for further discussion of maintenance expenses.

#### **Depreciation Expense**

Fortville calculated its historical Utility Plant in Service (UPIS) by taking its 12/31/06 balance (\$3,068,883) and then adding test year additions (\$10,271) and the proposed project costs of \$3,500,000. This yielded gross utility plant in service of \$6,579,154, multiplied by the applicable composite depreciation rate of 2% to arrive at Fortville's *pro forma* depreciation expense of \$131,583. The OUCC calculated depreciation using the same 12/31/06 balance for gross utility plant but increased it by \$17,604, the amount of

costs that were deemed capital in nature (Adjustment 7, OUCC Schedule 6). This yields depreciable plant of \$3,086,484, multiplied by the applicable composite depreciation rate of 2% to arrive at the OUCC's *pro forma* depreciation expense of \$61,730. (Adjustment 10, OUCC Schedule 6) The OUCC noted that Fortville had kept records for additions to their UPIS, but that they had not recorded any retirements during a ten year period. The OUCC would recommend that Fortville begin using the Uniform Chart of Accounts to track its assets and depreciation by asset category. The OUCC would further recommend that Fortville be required to establish a restricted fund account into which monthly depreciation expense is deposited.

#### **Chemical Expense**

Fortville Municipal Water softens its water but did not propose any adjustment for the increased price of salt. The agreement with Morton Salt dated June 23, 2008, effective August 4, 2008 increased the price from \$83.95/Ton to \$118.03/Ton, or an increase of 41% over test year prices. Fortville purchased 353.58 tons of salt during the test year, or approximately twenty (20) tons every three (3) weeks. The OUCC calculated a *pro forma* salt cost of \$41,733. OUCC Schedule 6, Adjustment 5, yields an increase of \$11,762 to test year operating expenses.

#### **Internet Expenses**

During the test year, Fortville Municipal Water had an agreement with Bright House to place a cell antenna on the water tank in exchange for monthly rental payments of \$150. After the test year, this contract was cancelled and Fortville entered into a new contract

with Orbit Communications that provides Fortville with internet services in exchange for Orbit's use of a water tower to place its antennae. Fortville expensed \$1,619 in the test year for internet services that will no longer be purchased as a result of the new agreement. Therefore, the OUCC eliminated test year internet expenses of \$1,619. (See Adjustment 6, OUCC Schedule 6.)

### **Capital Costs**

Fortville Municipal Water did not eliminate capital items that were expensed during the test year as a formal proposed adjustment. As discussed above, Fortville made some adjustments (to its test year income statement) that were not presented in its filing, including the elimination of certain expenses deemed capital in nature. The OUCC found \$17,604 of costs that are capital in nature and should be capitalized. The OUCC adjusted test year expenses for these capital items. (See Adjustment 7, OUCC Schedule 6.)

### **Legal Expense**

Fortville Municipal Water expensed the first six months of test year legal invoices from Brand, Davis, Elsea & Morel, although only \$390 of the total \$16,680 in charges were water related. Fortville Municipal Water did not expense any legal invoices from Brand, Davis, Elsea & Morel for the last six months of the test year, although there were \$559 in expenses that should have been charged to Fortville Municipal Water. The OUCC adjusted the test year to reflect the reduction of the non-water related expenses from the first six months of the test year and the addition of water related expenses from the last six months of the test year. This yields a decrease of \$15,671 to test year legal expenses. (See Adjustment 8, OUCC Schedule 6.)

**Other Contractual Services**

During the test year, Fortville Municipal Water expensed \$1,669 invoiced by the State Board of Accounts for its biennial audit. The OUCC has reduced test year by one-half of this amount (\$835) to reflect the annual cost of this audit. Fortville Municipal Water also expensed \$3,950 of accounting invoices from O.W. Krohn & Associates that are for services provided to the Town of Fortville and which were not water related. The OUCC has reduced test year operating expenses by a total of \$4,785. (See Adjustment 9, OUCC Schedule 6.)

**Adjustments to Taxes other than Income**

The OUCC disagreed with Fortville's proposed adjustments for payroll taxes, utility receipts taxes, and Payment in Lieu of Taxes (PILT).

1. Payroll Taxes Fortville calculated and presented a payroll tax adjustment of \$1,197 (page 14 of Fortville's filing). However, as discussed above, this adjustment was not get included in its proposed rate increase. The OUCC proposes a payroll tax adjustment of \$948. *Pro forma* payroll tax expense is \$13,590 (7.65% of *pro forma* payroll expense of \$177,652). Reducing this amount by test year payroll tax expense of \$12,642 yields a payroll tax adjustment of \$948. (OUCC Schedule 7, Adjustment 1.)

2. Utility Receipts Taxes Fortville proposed additional utility receipts tax expense of \$5,570, which represents 1.4% of the proposed revenue increase of \$494,256 reduced by \$96,415 of hydrant revenues, which are exempt from the URT. The OUCC calculates

URT in a similar manner to Fortville and proposes two utility receipts tax adjustments – an adjustment related to present rate revenues (\$1,872) and an adjustment for proposed rate revenues (\$1,137). (OUCC Schedule 7, Adjustment 2.) Although the OUCC proposes a reduction of \$9,826 to taxable present rate revenues, the present rate adjustment for URT is an increase. Test year expense only included three quarterly tax payments and was, therefore, understated.

3. Payment in Lieu of Taxes (“PILT”) Fortville proposed \$11,000 as its PILT revenue requirement. The OUCC accepted Fortville’s calculation of PILT, including the property tax rates used. The OUCC proposes a PILT revenue requirement of \$11,072. The increase in the OUCC’s calculation is entirely due to the increased costs that it capitalized as a result of Adjustment 7, OUCC Schedule 6. The OUCC notes that Fortville Municipal Water did not make a “direct” PILT payment to the Town of Fortville during the test year. However, as discussed above, Fortville paid several expenses on behalf of the Town that exceeded the amount of PILT that would have been due. The OUCC would recommend that Fortville pay PILT directly to the Town. This will make the payment of PILT transparent and traceable within its accounting records.

### **Working Capital**

Working capital is the money a utility needs to pay its operating expenses necessary to provide service until the revenues from that service are collected. Some expenses are incurred and paid for before the related revenues are collected and other expenses are paid for after the related service revenues are collected (paid for “in arrears”). Working

capital is the net amount of money needed on an ongoing basis to fund daily utility operations. Fortville proposed an annual working capital revenue requirement of \$8,155 while the OUCC asserts that \$2,293 is sufficient to provide the working capital needed by Fortville. The following table shows a comparison of the OUCC's and Fortville's calculation of the working capital requirement:

	<u>Per Applicant</u>	<u>Per OUCC</u>	<u>OUCC More (Less)</u>
Operating & Maintenance Expenses	\$ 426,714	\$ 402,214	\$ (24,500)
Less: Purchased Power	(21,543)	(23,917)	(2,374)
Rate Case Amortization	-	(5,000)	(5,000)
Adjusted Operation & Maintenance Expenses	405,171	373,297	(31,874)
Times: 45 Day Factor	12.5%	12.5%	
Working Capital Revenue Requirement	50,646	46,662	(3,984)
Less: Operating Funds at 12/31/07	(25,485)	(39,782)	(14,297)
Net Working Capital Revenue Requirement	25,161	6,880	(18,281)
Divide by: Amortization Period (years)	3	3	3
Annual Working Capital Revenue Requirement	<u>\$ 8,387</u>	<u>\$ 2,293</u>	<u>\$ (6,094)</u>
Proposed Annual Working Capital	<u>\$ 8,155</u>	<u>\$ 2,293</u>	<u>\$ (5,862)</u>

The differences in the two parties' calculation of working capital are primarily due to Fortville's inclusion of expenses paid in arrears and Fortville's failure to account for all of its operating funds. First, Fortville included utility receipts taxes ("URT") of \$9,395 in required working capital. However, URT is paid quarterly in arrears and, therefore, no working capital is required for this expense. Fortville classified payroll taxes as operating and maintenance expenses ("O&M") and it therefore inadvertently included \$12,642 of payroll taxes in the amount of working capital funds required. (See reclass entry (e), Schedule 3.) These taxes are also paid in arrears on a monthly basis and should be excluded for the same reasons that URT was excluded. While Fortville did exclude



purchased power, a utility payment made in arrears, it neglected to include additional utility payments made to Vectren during the test year (see reclass entry (f), Schedule 3) and recorded in error to miscellaneous expenses. Finally, Fortville did not exclude the amortization of rate case expenses from O&M, which are non-cash expenses similar to depreciation expense. The remaining O&M variance is related to various proposed adjustments discussed above.

In addition to the differences in required working capital, the two parties also differ in the amount of working capital currently available. Fortville has six funds related to the water utility – Operating, Construction, Depreciation, Customer Deposits, Bond and Interest, and Debt Service. Fortville inappropriately included, as available working capital, the 12/31/07 balance of the Depreciation fund. Also, Fortville failed to include, as available working capital, the Construction fund. The OUCC believes that the depreciation fund should be restricted to the replacement or extension of utility plant and, as such, should not be available for operating purposes. Also, the OUCC determined that the funds in the construction account (\$17,661) are left over from an earlier construction project, approximately ten (10) years ago. These funds are no longer restricted and should be transferred to the operating account and made available for general operating purposes. Both the OUCC and Fortville have amortized the working capital deficiency over a three (3) year period. The OUCC proposes that this requirement be reviewed and updated as necessary in any subsequent phases of this rate case. (See OUCC Schedule 8.)

### **VIII. OPERATIONS RECOMMENDATIONS**

#### **Unaccounted For Water**

**Apparent Water Loss:** As mentioned earlier, Petitioner's water loss is approximately 35% over the last several years. Contributing to the problem is apparent water loss such as metering inaccuracy, reading errors, unauthorized consumption, or incorrect assumptions about unmeasured usage such as hydrant flushing or unmetered services. Petitioner can improve its water loss by subtracting backwash water if applicable, hydrant flushing, and leaks from finished water that has been pumped to distribution. Mr. Joe Renner, Fortville Town Manager, states this procedure is currently being employed.

Also, efforts have been initiated to reduce apparent water loss to the extent that through September of 2008 a loss of approximately 24% was achieved with two months (June and September) being as low as 11% (See OUCC Attachment 1). Also, Petitioner has most recently tested and calibrated its plant master meter in July 2008 as well as on at least three (3) other occasions going back to March 1999. (See OUCC Attachment 2.)

**Real Water Loss:** Real water loss involves the physical escape of water from a distribution system before it reaches the customer. This can be caused by leaks, main breaks or tower overflows. Petitioner tracks water that has been discharged through its hydrants and in fact initiated a leak survey performed by M.E. Simpson Co., Inc. on November 15, 1999. The leak report shows 11 leaks were found at an estimated 95,750 gallons per day. (See OUCC Attachment 3.) If true, these found leaks would alone represent about 20% of Petitioner's overall production. Although the report leakage rate

and cost saving seem overstated, a new leak detection survey is warranted after a ten (10) year interval and the “on paper” success of the prior survey. A current budget price for a professional leak survey is approximately \$10,000 according to M.E. Simpson Co., Inc. and has been included in O&M funding at five year intervals.

The Utility is focusing on and making efforts to control its water loss by tracking hydrant and other unmetered flows, regularly calibrating its finished water meter, and has initiated the completion of a professional leak survey. However, it has not continued with a residential meter replacement or large meter testing program perhaps. The Utility should resume these programs.

#### **Repair Costs (O&M)**

**Operation and Maintenance:** Maintenance records at the treatment plant indicate the regular maintenance of wells, pumps, motors, and equipment. However, costs of the aforementioned are not in evidence and perhaps should also be kept at the plant with the corresponding work records. Nevertheless, annual repair costs as described in Petitioner’s Schedule 3, Section (3) may be reasonably supported based upon typical price margins. Specific O&M items include the elevated tank, three (3) production wells, and four (4) high service pumps. Petitioner’s proposed annual allowance for each is as follows:

1. Exterior tank painting - \$5,000;
2. Well testing and cleaning - \$5,625 for three wells;
3. Well pump and motor repair - \$5,250;
4. High service pump testing and cleaning - \$2,000 for four pumps;
5. High service pump and motor repair - \$5,000;

The OUCC agrees that the preceding annual allowances are reasonable and additionally proposes the following operations with applicable O&M Adjustments:

6. Large meter testing - \$5,000;
7. Meter replacement program;
8. Interior paint system - \$500;
9. Leak detection survey - \$2,000.

### **Adjustments to Certain Operations**

**Large Meter Testing:** Funding for the large meter testing in the amount of \$5,000 annually should allow for the testing and repair of ten to fifteen large meters. Even one large meter significantly under-registering or being used in the wrong application can have a dramatic affect on water loss and revenues to the utility.

**Meter Replacement Program:** With regard to funding a meter replacement program, approximately \$60,000 annually in depreciation money is available for capital purchases including meters or other extensions and replacements. Further, revenues from depreciation will approximately double when the proposed projects are operational and rates are revised ( $\$3.5\text{M} \times 2\% = \$70,000 + \$60,000$  current rate). Petitioner should begin a fifteen year meter replacement program once revenues from depreciation have increased. Also, these depreciation funds should be held in a restricted, interest bearing capital improvement account.

**Interior Wax System:** Petitioner has allocated \$3,750 per year for inside tank cleaning and coating. However, the currently employed “wax” or grease coating will no longer be used when the tank is refurbished with an interior epoxy system. Wax systems require a complete application every few years whereas the proposed epoxy system will need only an occasional flushing and inspection perhaps every four years; therefore, \$500 annually

is a more appropriate amount to be allocated for interior tank maintenance replacing the original \$3,750.

**Leak Detection Survey:** Based on past performance, a leak detection survey appears to be warranted, perhaps every five years at a total cost of \$10,000 or \$2,000 per year.

**Water Softening Costs** – Since last year, salt costs have increased from \$84/ton to \$118/ton. Petitioner's finished water hardness ranges from below 70 to 120 mg/l with an average trending toward the 70 mg/l concentration. Only a handful of utilities in Indiana soften their water, and the OUCC is not aware of any other Indiana utility purposely softens its water below 100 mg/l. Petitioner could raise hardness levels to 100 mg/l and it is very unlikely that the customers would notice the difference. Petitioner should consider the benefits of using less salt for water softening.

## **IX. ACCOUNTING PRACTICE RECOMMENDATIONS**

During the course of the OUCC's on-site audit, several issues related to Fortville's accounting were discovered, including the use of an inappropriate accounting methodology, inappropriate cost allocation methodologies, and possibly incomplete record keeping. The OUCC believes that, with the guidance of its accounting consultant and the assistance of the Town's Clerk-Treasurer, these issues will be resolved satisfactorily. The OUCC's observations and recommendations follow.

**Accounting Methodology:** Fortville Municipal Water utilizes fund accounting to maintain its water utility accounting records. While this is acceptable for most

governmental accounting units a water utility should use proprietary accounting. Proprietary accounting is normal double entry accounting that is used by most non-governmental businesses.<sup>4</sup> Double entry accounting allows the utility, among other things, to prepare a balance sheet and income statement as well as maintain proper utility plant records. Fortville does not have the ability to prepare a balance sheet using its current accounting records. In addition, Fortville cannot easily prepare an income statement from its fund accounting records since no differentiation between revenue, expense, or capital is made under its current method of accounting. The OUCC recommends that Fortville be required to convert to proprietary accounting and follow the Uniform System of Accounts.

**Cost Allocations:** The Town of Fortville does not always allocate costs consistently to all public departments — water, sewer, and town general funds. The OUCC audit found that costs were allocated haphazardly at best. In some cases, such as legal costs, the water and sewer utilities were each charged with 50% of the costs, with no allocation to the town. Also, the allocation of other costs was not performed on a monthly basis. Instead, the water utility would be charged with costs for one half of the year and the sewer utility would be charged with the costs for the second half of the year. This allocation method does not insure equal sharing of costs since certain expenses will fluctuate during different times of the year. The OUCC recommends that Fortville be

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<sup>4</sup> See the Uniform System of Accounts for Water Utilities.

required to allocate, on a monthly basis, each invoice between the appropriate town departments as necessary.

**Records Maintenance:** Accounting records for the test year was not filed in any particular order – neither alphabetical nor numerical (warrant or voucher). Cyndi Mitchell, Deputy Clerk-Treasurer, indicated that she could not verify whether all the warrants were provided to us for the test year because of the lack of organization of the documents (Ms. Mitchell was not responsible for the town books and records during the test year). She did show the OUCC how she maintains vouchers/warrants since taking over in January 2008. The 2008 warrants are kept in numerical order and are bound. The OUCC recommends that Fortville continue to maintain its warrants in this manner.

## **X. SUMMARY**

The OUCC requests and recommends that the Commission deny without prejudice Fortville's proposed financing to address its Capital Improvement Program. The OUCC also requests and recommends that the Commission keep this cause open to allow Fortville to provide proof of the need and reasonableness of the financing it seeks. In the meantime, the OUCC further recommends the Commission authorize rates in a manner consistent with the foregoing report. Finally, the OUCC requests the Commission adopt the OUCC's foregoing recommendations with respect to Fortville's operations.

**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

**Comparison of Petitioner's and OUCC's  
Revenue Requirements**

	<u>Per Applicant</u>	<u>Per OUCC</u>	<u>Sch Ref</u>	<u>OUCC More (Less)</u>
Operating Expenses	\$ 417,319	\$ 402,214	4	\$ (15,105)
Taxes other than Income	3,825	19,287	4	15,462
Depreciation expense	131,583	61,730	4	(69,853)
Payment in Lieu of Taxes	11,000	11,072	7	72
Working Capital	8,155	2,293	8	(5,862)
Debt Service - Existing Debt	135,200	135,200	Pet	-
Debt Service -- Proposed Debt	257,536	-		(257,536)
Debt Service Reserve -- Proposed Debt	51,507	-		(51,507)
Total Revenue Requirements	1,016,125	631,796		(384,329)
Less: Interest Income	-	(2,139)	3	(2,139)
Other Income				-
Add: Other Expenses				-
Net Revenue Requirements	1,016,125	629,657		(386,468)
Less: Revenues at current rates subject to increase	(474,626)	(484,344)	4	(9,718)
Other revenues at current rates	(36,233)	(40,271)	4	(4,038)
Net Revenue Increase Required	505,266	105,042		(390,506)
Additional Utility Receipts Tax	5,570	1,127	4	(4,443)
Recommended Increase	<u>\$ 510,836</u>	<u>\$ 106,169</u>		<u>\$ 100,599</u>
Recommended Percentage Increase	<u>107.63%</u>	<u>21.13%</u>		<u>-86.49%</u>
Percentage Increase Requested	<u>96.75%</u>			

<u>Current Rate for 5,000 Gallons</u>	<u>Proposed</u>			<u>OUCC More (Less)</u>
	<u>Applicant</u>	<u>OUCC</u>		
<b>Current Rate</b>				
Inside Coporate Limits = \$17.90	\$ 37.17	\$ 21.68	9	\$ (15.49)
Outside Coporate Limits = \$26.82	\$ 55.69	\$ 21.68	9	\$ (34.01)



**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

**Reconciliation of Net Operating Income Statement Adjustments**  
***Pro-forma Present Rates***

	<u>Per Applicant</u>	<u>Per OUCC</u>	<u>OUCC More (Less)</u>
Operating Revenues			
Water Sales	\$ -	\$ (7,210)	\$ (7,210)
Fire Protection	-	17,545	17,545
Contract Water Sales	-	-	-
Tap Fees	-	(67,431)	(67,431)
Other	-	(2,616)	(2,616)
Total Operating Revenues	<u>-</u>	<u>(59,712)</u>	<u>(59,712)</u>
O&M Expense			
Payroll Expense Increase	15,654	11,013	(4,641)
Employee Benefits	5,688	3,378	(2,310)
Maintenance and Repair	6,218	30,375	24,157
Rate Case Expense	5,000	5,000	-
Salt Price Adjustment	-	11,762	11,762
Internet Expense	-	(1,619)	(1,619)
Non-recurring and Capital	-	(17,604)	(17,604)
Legal Expense	-	(15,671)	(15,671)
Other Contractual Services	-	(4,785)	(4,785)
Depreciation Expense	131,583	61,730	(69,853)
Amortization Expense	-	-	-
Taxes Other than Income			
Payroll Taxes	-	948	948
Utility Receipts Tax	-	1,872	1,872
PILT	11,000	11,072	72
			<u>-</u>
Total Operating Expenses	<u>164,143</u>	<u>97,471</u>	<u>(77,672)</u>
Net Operating Income	<u>\$ (164,143)</u>	<u>\$ (157,183)</u>	<u>\$ 17,960</u>

**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

**Summary of Fund Balances**

	<u>Operating</u>	<u>Construct</u>	<u>Customer Deposits</u>	<u>Bond &amp; Interest</u>	<u>Debt Service Reserve</u>	<u>Depreciation</u>	<u>Total</u>
<b>Balance at 12/31/06</b>	\$ (1,018)	\$ 17,661	\$ 18,791	\$ (500)	\$ 188,308	\$ 3,364	\$ 226,606
<b><u>Cash Receipts</u></b>							
Consumer Collections	234,352			132,375	26,904		393,631
Sales Tax	17,942						17,942
Tap Fees	68,780						68,780
Hydrant Rental	99,654						99,654
Interest	2,139						2,139
Transfers from Operations	-			2,375			2,375
Other Operating Revenue	13,000						13,000
Other Miscellaneous Income	9,624						9,624
Customer Deposits	-		3,350				3,350
	<u>445,491</u>	<u>-</u>	<u>3,350</u>	<u>134,750</u>	<u>26,904</u>	<u>-</u>	<u>610,495</u>
<b><u>Cash Expenditures</u></b>							
Employee Wages	(166,639)						(166,639)
Payroll Taxes and PERF	(22,199)						(22,199)
Medical Insurance	(25,733)						(25,733)
Materials & Supplies	(34,538)						(34,538)
Chemicals	(34,748)						(34,748)
Transportation	(4,086)						(4,086)
Liability Insurance	(17,842)						(17,842)
Purchased Power	(21,543)						(21,543)
Contractual Services	(35,787)						(35,787)
Contractual Services - Testing	(1,662)						(1,662)
Sales Taxes	(21,123)						(21,123)
Utility receipts Taxes	(3,825)						(3,825)
Transfers to Operations	(2,375)						(2,375)
Miscellaneous	(30,252)						(30,252)
Interest on Debt				(34,250)			(34,250)
Principal on Debt				(100,000)			(100,000)
Customer Deposit Refunds			(3,750)				(3,750)
	<u>(422,352)</u>	<u>-</u>	<u>(3,750)</u>	<u>(134,250)</u>	<u>-</u>	<u>-</u>	<u>(560,352)</u>
<b>Balance at 12/31/07</b>	<u>\$ 22,121</u>	<u>\$ 17,661</u>	<u>\$ 18,391</u>	<u>\$ -</u>	<u>\$ 215,212</u>	<u>\$ 3,364</u>	<u>\$ 276,749</u>

**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

**COMPARATIVE INCOME STATEMENT**  
**Twelve Months Ended December 31,**

	<u>2007</u>	<u>Reclasses</u>	<u>Updated 2007</u>	<u>2006</u>	<u>2005</u>
<b>Operating Revenues</b>					
Water Sales	\$ 393,631	\$ (2,907) (a) (1,395) (b) (362) (c)	\$ 388,967	\$ 378,116	\$ 404,837
Fire Protection	99,654	1,395 (b) 1,993 (d)	103,042	127,763	100,270
Tap Fees	68,780	(1,349) (g)	67,431	14,328	12,876
Other	22,624	2,907 (a) (1,993) (d) 1,349 (g)	24,887	16,432	8,329
Total Operating Revenues	<u>584,689</u>	<u>(362)</u>	<u>584,327</u>	<u>536,639</u>	<u>526,312</u>
<b>Operating Expenses</b>					
Salaries and Wages	166,639		166,639	148,501	114,035
Employee Benefits	47,932	(12,642) (e)	35,290	46,193	59,586
Purchased Power	21,544	2,373 (f)	23,917	24,060	24,073
Chemicals	34,748		34,748	32,189	34,541
Materials and Supplies	34,538		34,538	34,557	31,186
Contractual Services	35,787		35,787	29,300	31,175
Transportation Expense	4,086		4,086	7,312	2,620
Insurance	17,842		17,842	17,118	16,648
Bad Debt Expense	-		-	-	-
Rate Case Expense Amortization	-		-	-	-
Miscellaneous Expense	30,253	(362) (c) (2,373) (f)	27,518	31,136	35,099
Total O&M Expense	<u>393,369</u>	<u>(13,004)</u>	<u>380,365</u>	<u>370,366</u>	<u>348,963</u>
Depreciation Expense	-		-	-	-
Amortization Expense	-		-	-	-
Taxes Other than Income	3,825	12,642 (e)	16,467	8,732	5,286
Total Operating Expenses	<u>397,194</u>	<u>(362)</u>	<u>396,832</u>	<u>379,098</u>	<u>354,249</u>
<b>Net Operating Income</b>	<u>187,495</u>	<u>-</u>	<u>187,495</u>	<u>157,541</u>	<u>172,063</u>
<b>Other Income (Expense)</b>					
Interest Income	2,139		2,139	1,596	755
Gain (Loss) on Sale of Assets	-		-	-	-
Other Income	-		-	-	-
Interest Expense	(34,250)		(34,250)	(39,000)	(43,500)
Total Other Income (Expense)	<u>(32,111)</u>	<u>-</u>	<u>(32,111)</u>	<u>(37,404)</u>	<u>(42,745)</u>
<b>Net Income</b>	<u>\$ 155,384</u>	<u>\$ -</u>	<u>\$ 155,384</u>	<u>\$ 120,137</u>	<u>\$ 129,318</u>

**Fortville Municipal Water Utility**  
**Reconciliation of Net Operating Income Statement Adjustments**

**COMPARATIVE INCOME STATEMENT**  
**Reclass Entries**

	<u>Debit</u>	<u>Credit</u>
<b>(a)</b> To reclass penalty revenues recorded as water sales in error.		
Water Sales	\$ 2,907	
Other Revenue		\$ 2,907
<b>(b)</b> To reclass sprinkler revenues recorded as water sales during the test year.		
Water Sales	\$ 1,395	
Fire Protection Revenues		\$ 1,395
<b>(c)</b> To reclass NSF checks to accurately reflect water revenues collected.		
Water Sales	\$ 362	
Miscellaneous Expense		\$ 362
<b>(d)</b> To reclass sprinkler revenues as private fire protection revenues.		
Other Revenues	\$ 1,993	
Fire Protection Revenues		\$ 1,993
<b>(e)</b> To reclass payroll taxes from general and administrative expenses to taxes other than income.		
Payroll Tax Expense	\$ 12,642	
Employee Benefits		\$ 12,642
<b>(f)</b> To reclass Vectren utility payments from miscellaneous expenses to purchased power expense.		
Purchased Power Expense	\$ 2,373	
Miscellaneous Expense		\$ 2,373
<b>(g)</b> To reclass customer receipts related to hydrant repair to other revenues.		
Tap Fee Revenues	\$ 1,349	
Other Revenues		\$ 1,349

**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

***Pro-forma* Net Operating Income Statement**

	<b>Year Ended 12/31/2007</b>	<b>Adjustments</b>	<b>Sch Ref</b>	<b><i>Pro-forma</i> Present Rates</b>	<b>Adjustments</b>	<b>Sch Ref</b>	<b><i>Pro-Forma</i> Proposed Rates</b>
Operating Revenues							
Water Sales	\$ 370,967	\$ (3,591)	5-1	\$ 363,757	\$ 79,736	1	\$ 443,493
		(3,619)	5-2				
Fire Protection							
Public	99,654	17,545	5-3	117,199	25,690	1	142,889
Private	3,388			3,388	743	1	4,131
Contract Water Sales	18,000			18,000			18,000
Tap Fees	67,431	(67,431)	5-4	-			-
Other	24,887	(2,616)	5-5	22,271			22,271
Total Operating Revenues	<u>584,327</u>	<u>(59,712)</u>		<u>524,615</u>	<u>106,169</u>		<u>630,784</u>
O&M Expense	380,365			402,214			402,214
Payroll Expense Increase		11,013	6-1				
Employee Benefits		3,378	6-2				
Maintenance and Repair		30,375	6-3				
Rate Case Expense		5,000	6-4				
Salt Price Adjustment		11,762	6-5				
Internet Expense		(1,619)	6-6				
Capital & Non-recurring		(17,604)	6-7				
Legal Expense		(15,671)	6-8				
Other Contractual Services		(4,785)	6-9				
Depreciation Expense	-	61,730	6-10	61,730			61,730
Amortization Expense	-			-			-
Taxes Other than Income							
Payroll Taxes	12,642	948	7-1	13,590			13,590
Utility Receipts Tax	3,825	1,872	7-2	5,697	1,127	7-2	6,824
PILT	-	11,072	7-3	11,072			11,072
Total Operating Expenses	<u>396,832</u>	<u>97,471</u>		<u>494,303</u>	<u>1,127</u>		<u>495,430</u>
Net Operating Income	<u>\$ 187,495</u>	<u>\$ (157,183)</u>		<u>\$ 30,312</u>	<u>\$ 105,042</u>		<u>\$ 135,354</u>

**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

**Revenue Adjustments**

(1)

**Eliminate Out of Town Surcharge**

To eliminate the 50% out of town surcharge collected during the test year.

**Out of Town Revenues (per Utility)**

			(A) Sub-total Out of Town Revenues	(B) Revenues at In Town Rates	(A - B) 50% Surcharge
	Total	Contract Sales			
January	\$ 2,362.87	\$ (1,500.00)	\$ 862.87	\$ 575.25	\$ 287.62
February	2,345.80	(1,500.00)	845.80	563.87	281.93
March	2,372.48	(1,500.00)	872.48	581.65	290.83
April	2,312.03	(1,500.00)	812.03	541.35	270.68
May	2,370.35	(1,500.00)	870.35	580.23	290.12
June	2,367.76	(1,500.00)	867.76	578.51	289.25
July	2,467.34	(1,500.00)	967.34	644.89	322.45
August	2,499.15	(1,500.00)	999.15	666.10	333.05
September	2,396.23	(1,500.00)	896.23	597.49	298.74
October	2,540.61	(1,500.00)	1,040.61	693.74	346.87
November	2,359.66	(1,500.00)	859.66	573.11	286.55
December	2,377.47	(1,500.00)	877.47	584.98	292.49
	<u>28,771.75</u>	<u>(18,000.00)</u>	<u>10,771.75</u>	<u>7,181.17</u>	<u>3,590.58</u>

**Adjustment Increase (Decrease)**

\$ (3,591)

(2)

**Water Sales Revenues**

To eliminate sales tax receipts incorrectly recorded during the test year as water sales receipts.

February Sales Tax Receipts	\$ 1,657.68
July Sales Tax Receipts	<u>1,961.30</u>

**Adjustment Increase (Decrease)**

\$ (3,619)

**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

**Revenue Adjustments**

(3)

**Public Fire Protection**

To adjust public fire protection revenues to reflect hydrant rental on 235 hydrants.

Current number of fire hydrants (per Utility Personnel)	235	
Times: Current Annual Hydrant Rate	<u>\$ 498.72</u>	
<i>Pro forma</i> Hydrant Rental		\$ 117,199
Less: Test Year Hydrant Rental		<u>(99,654)</u>
<b>Adjustment Increase (Decrease)</b>		<b><u>\$ 17,545</u></b>

(4)

**Tap Fees**

To eliminate availability fees and tap fees recorded incorrectly as revenue during the test year. These receipts are more appropriately recorded as contributions in aid of construction.

Availability Fees	\$ 66,000.00	
Tap Fees	<u>1,431.40</u>	
<b>Adjustment Increase (Decrease)</b>		<b><u>\$ (67,431)</u></b>

**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

**Revenue Adjustments**

(5)

**Non-recurring Revenue**

To eliminate non-recurring revenues recorded during the test year -- write off of an outstanding check from 2004, hydrant repair costs paid by customer, and the elimination of tower rental revenues that are no longer being received.

<u>Description</u>	<u>Entry Date</u>	<u>Receipt #</u>	
Check #2009, April 4, 2004	01.31.07	1205	\$ 1,117.23
Bright House tower rental	07.30.07	1502	150.00
Hydrant Repair	12.31.07	1705	1,349.06
			<u>\$ 2,616.29</u>
<b>Adjustment Increase (Decrease)</b>			<u><u>\$ (2,616)</u></u>



**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

**Operating Expense Adjustments**

(1)

**Salaries & Wages**

To adjust operating expenses to reflect an increase in payroll expense for salaried personnel.

<b><u>Position</u></b>	<b><i>Pro Forma</i> Gross <u>Salary</u></b>	<b><i>Pro Forma</i> Gross <u>Longevity Pay</u></b>	<b>Total Gross <u>Pay</u></b>	<b>Percent <u>Expensed</u></b>	<b><i>Pro forma</i> Adjusted <u>Payroll</u></b>
Town Manager	\$ 56,716	\$ 3,800	\$ 60,516	26.94%	\$ 16,303
Town Council (5)	11,250	-	\$ 11,250	25.00%	2,813
Plant Operator	46,051	2,600	\$ 48,651	100.00%	48,651
Admin Assistant	31,907	200	\$ 32,107	100.00%	32,107
General Laborer	37,045	2,000	\$ 39,045	100.00%	39,045
General Laborer	36,733	2,000	\$ 38,733	100.00%	38,733
Total	<u>\$ 219,702</u>	<u>\$ 10,600</u>			

<i>Pro forma</i> Salary Expense	\$ 177,652
Less: Test year Salary Expense	<u>166,639</u>

**Adjustment Increase (Decrease)** \$ 11,013

**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

**Operating Expense Adjustments**

**(2)**  
**Employee Benefits**

To adjust operating expenses to reflect an increase in employee benefits expense for salaried personnel.

<u>Position</u>	<i>Pro forma</i> <b>Adjusted Payroll</b>	<i>Pro forma</i> <b>Town Share PERF PERF @ 6.50%</b>
Town Manager	\$ 16,303	\$ 1,060
Plant Operator	48,651	3,162
Admin Assistant	32,107	2,087
General Laborer	39,045	2,538
General Laborer	39,045	2,538
	<u>\$ 175,151</u>	
		\$ 11,385

<u>Position</u>	<b>2008 Insurance</b>	<b>Percent Expensed</b>	<i>Pro forma</i> <b>Insurance Adjustment</b>
Town Manager	\$ 5,282	26.94%	\$ 1,423
Plant Operator	6,549	100.00%	6,549
Admin Assistant	6,437	100.00%	6,437
General Laborer	6,437	100.00%	6,437
General Laborer	6,437	100.00%	6,437
	<u>\$ 31,142</u>		
Total			<u>27,283</u>

<i>Pro forma</i> Employee Benefits Expense	\$ 38,668
Less: Test year Employee Benefits Expense	<u>35,290</u>

**Adjustment Increase (Decrease)** \$ 3,378

**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

**Operating Expense Adjustments**

(3)

**Maintenance Expense**

To adjust operating expenses to reflect the annual repair and maintenance program.

	<u>Total</u>	<u>Frequency</u>	<u>Annual</u>
	<u>Amount</u>	<u>(In Years)</u>	<u>Amount</u>
<b><u>Transmission and Distribution:</u></b>			
Elevated Storage Tank (300,000 Gallon):			
Outside Painting	\$ 50,000	10	\$ 5,000
Flushing/Inspection	2,000	4	500
<b>Leak Detection Survey</b>	10,000	5	2,000
<b>Large Meter Testing</b>	5,000	1	5,000
<b><u>Pumping:</u></b>			
Refurbish and Repair -- Wells 2, 3, & 4:			
<u>Production Well Pumps:</u>	3		
Flow Test and Clean @	\$ 7,500	22,500	4 5,625
Refurbish and Repair @	7,000	21,000	4 5,250
<u>High Service Pumps:</u>	4		
Flow Test and Clean @	2,000	8,000	4 2,000
Refurbish and Repair @	5,000	20,000	4 5,000
<i>Pro forma</i> Repair and Maintenance Expense			\$ 30,375
Less: Test year Repair and Maintenance Expense			-
<b>Adjustment Increase (Decrease)</b>			<b><u>\$ 30,375</u></b>

**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

**Operating Expense Adjustments**

(4)

**Rate Case Expense**

To adjust operating expenses to reflect the cost of this rate case.

**Estimated Rate Case Costs**

Legal Fees	\$ 5,000	
Accounting Fees	10,000	
Other	<u>-</u>	
Total Rate Case Costs	\$ 15,000	
Divided by 3 years	<u>3</u>	
Annual Expense		\$ 5,000
Less: Test Year Expense		<u>-</u>
Adjustment Increase (Decrease)		<u><u>\$ 5,000</u></u>

**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

**Operating Expense Adjustments**

(5)

**Chemical Expense**

To adjust operating expenses to reflect the cost of the increase in salt prices.

<b><u>Check Date</u></b>	<b><u>APV #</u></b>	<b><u>Amount</u></b>	<b><u>Contract Pricing \$/ Ton</u></b>	<b><u>Estimated Tons</u></b>
1/3/2007	5304	\$ 2,022.36	\$ 83.95	24.09
1/14/2007	5349	1,956.04	83.95	23.30
2/2/2007	5464	1,963.59	83.95	23.39
3/9/2007	5542	1,962.75	83.95	23.38
4/2/2007	5678	2,024.87	83.95	24.12
5/3/2007	5827	2,020.68	83.95	24.07
6/11/2007	5949	1,933.37	83.95	23.03
7/2/2007	6078	1,970.31	83.95	23.47
8/2/2007	6307	1,788.14	83.95	21.30
8/20/2007	6192	2,016.48	83.95	24.02
9/13/2007	6422	1,947.64	83.95	23.20
10/15/2007	6550	1,978.70	83.95	23.57
11/9/2007	6671	1,960.23	83.95	23.35
11/9/2007	6671	2,018.16	83.95	24.04
12/30/2007	6923	2,407.84	95.36	25.25
Total Test Year		<u>\$ 29,971.16</u>		<u>353.58</u>
Total Estimated Tons of Salt			353.58	
Per Ton Price Effective 8/4/2008			<u>\$ 118.03</u>	
<i>Pro Forma</i> Salt Cost				\$ 41,733
Less: Test Year Salt Cost				<u>29,971</u>
<b>Adjustment Increase (Decrease)</b>				<u><u>\$ 11,762</u></u>

**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

**Operating Expense Adjustments**

(6)

**Internet Expenses**

To eliminate test year internet expenses to reflect current agreement with Orbit Communications.  
Internet service is provided for no cost in exchange for placement of antennae on water tower.

Test Year internet costs recorded as operating expenses (Bright House) 1,619

**Adjustment Increase (Decrease)** \$ (1,619)

(7)

**Capital Costs**

To adjust operating expenses to reflect the elimination of costs that are capital in nature.

<b><u>Vendor</u></b>	<b><u>Ck #</u></b>	<b><u>Date</u></b>	<b><u>Description</u></b>	<b><u>Amount</u></b>
Culy Construction	2080	6/11/2007	Fire Hydrant	\$ 1,440
L&S Underground, In	2231	11/9/2007	Directional Bc Construction	2,090
David Bohall	2245	11/20/2007	Re-roof Water Construction (labor)	1,200
David Bohall	2245	11/20/2007	Re-roof Well Construction (labor)	225
Lowe's	2256	12/10/2007	Roofing Materials	2,251
EJP	2201	10/26/2007	Meters	3,926
EJP	2050	5/15/2007	4" Clow Valve	423
EJP	1910	1/14/2007	Meters	1,597
Barco	1966	3/9/2007	Honda Engine Pump	1,306
EJP	2079	6/11/2007	1 1/2 "Meter	470
EJP	1934	1/2//2007	Hydrant	1,533
Priority Engineering	2212	10/26/2007	Printer	<u>1,143</u>

**Adjustment Increase (Decrease)** \$ (17,604)

**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

**Operating Expense Adjustments**

(8)

**Legal Expense**

To adjust operating expenses to reflect the reduction of legal expenses from Brand, Davis, Elsea & Morel for non-water related items in months January through June 2007 and to add water legal expenses not reflected in the test year for the months July through December 2007.

<b>Posting Month</b>	<b>Not Recorded Gross Invoice</b>	<b>Recorded Gross Invoice</b>	<b>Water Portion</b>	<b>Non-Water Expenses</b>
Jan 07		\$ 3,375.00	\$ 60.00	\$ 3,315.00
Feb 07		4,065.20	225.00	3,840.20
Mar 07		3,124.50	30.00	3,094.50
Apr 07		2,018.50	75.00	1,943.50
May 07		2,018.50	-	2,018.50
Jun 07		2,018.50	-	2,018.50
Jul 07	\$ 3,901.50		-	-
Aug 07	3,888.00		452.25	(452.25)
Sep 07	2,029.50		-	-
Oct 07	2,470.50		-	-
Nov 07	2,835.00		-	-
Dec 07	3,978.00		106.79	(106.79)
		<u>\$ 16,620.20</u>	<u>\$ 949.04</u>	

Net Legal Expense Reduction during Test Year \$ 15,671.16

**Adjustment Increase (Decrease)** \$ (15,671)

**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

**Operating Expense Adjustments**

(9)

**Other Contractual Services**

To adjust operating expenses to reflect the elimination of non-water utility related accounting expenses and to reflect annual cost of State Board of Accounts audit.

State Board of Accounts Audit (conducted biennially)

\$ 1,669 @ 50% \$ 835

O.W. Krohn & Associates -- Accounting Services for Town of Fortville

April 07 450

Feb 07 3,000

3-31-07 CTAR 500

**Adjustment Increase (Decrease) \$ (4,785)**

(10)

**Depreciation Expense**

To record depreciation expense on existing utility plant in service.

**Utility Plant in Service at 12/31/06 (per Utility)**

Land \$ 32,214

Buildings 133,257

Improvements 2,564,031

Machinery & Equipment 298,561

Transportation Equipment 40,817

3,068,880

2007 Additions (Adj 6-7) 17,604

**Utility Plant in Service at 12/31/07 3,086,484**

Times: Composite Depreciation Rate x 2.0%

**Adjustment Increase (Decrease) \$ 61,730**



**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

**Adjustments to Taxes Other than Income**

(1)

**Payroll Taxes**

To adjust payroll tax expense for the increase in wages.

<b><u>Position</u></b>	<b><i>Pro forma</i> Adjusted <u>Payroll</u></b>	<b>FICA <u>@7.65%</u></b>
Town Manager	\$ 16,303	\$ 1,247
Town Council (5)	2,813	215
Plant Operator	48,651	3,722
Admin Assistant	32,107	2,456
General Laborer	39,045	2,987
General Laborer	38,733	2,963
Total	<u>\$ 177,652</u>	<u>\$ 13,590</u>

<i>Pro forma</i> Payroll Tax Expense	\$ 13,590
Less: Test year Payroll Tax Expense	<u>12,642</u>

**Adjustment Increase (Decrease)** \$ 948

**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

**Adjustments to Taxes Other than Income**

(2)

**Utility Receipts Tax**

To adjust Utility Receipts Tax for the proposed increase in revenues.

	<b>Pro forma Present Rate Revenues</b>	<b>Proposed Rate Revenues</b>
Pro Forma Present Rates gross receipts	\$ 524,615	\$ 630,784
Less: Exempt receipts	(117,199)	(142,889)
Annual taxpayer deduction per IDR (50%)	(500)	(500)
Total taxable receipts	406,916	487,395
Utility receipts tax Rate	x 1.4%	x 1.4%
<i>Pro forma</i> Utility Receipts Tax Expense	5,697	6,824
Less Test Year Utility Receipts Tax Expense	(3,825)	(5,697)
<b>Adjustment Increase (Decrease)</b>	<b>\$ 1,872</b>	<b>\$ 1,127</b>

**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

**Adjustments to Taxes Other than Income**

**(3)**  
**Payment in Lieu of Taxes**

Plant Factor:

Original Cost of Fixed Assets	\$ 3,086,484
Less: Accumulated Depreciation	<u>(1,070,504)</u>

Net Fixed Assets	\$ 2,015,980
Divided by Plant Factor	<u>100</u>

Net Assessed Valuation:	<u>\$ 20,160</u>
-------------------------	------------------

Tax Rate:	Use municipality's corporate tax rate	<u>68.65%</u>
	which can be obtained from the	
	County Auditor's Office.	

Effective Rate:

Corporate Tax Rate	68.65%
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Corporate Tax Rate	68.65%
Times:	<u>20.00%</u>

Reduce Corporate Rate	<u>-13.73%</u>
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Effective Rate:	<u>54.92%</u>
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Payment in Lieu of Taxes:

Effective Rate	54.92%
Times: Net Assessed Valuation	<u>\$ 20,160</u>

<b><i>Pro forma</i> Payment in Lieu of Taxes</b>	<b><u>\$ 11,072</u></b>
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**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

**Working Capital**

Operation & Maintenance Expense	\$ 402,214
Less: Purchased Water	-
Purchased Power	(23,917)
Rate Case Expense Amortization	<u>(5,000)</u>
Adjusted Operation & Maintenance Expense	373,297
Times: 45 Day Factor	<u>0.125</u>
Working Capital Revenue Requirement	46,662
Less: Operating Funds at 12/31/07	<u>39,782</u>
Net Working Capital Revenue Requirement	6,880
Divide by: Amortization Period (Years)	<u>3</u>
Annual Working Capital Revenue Requirement	<u><u>\$ 2,293</u></u>

	<b>Balance at 12/31/07</b>	<b>Restricted</b>	<b>Available</b>
Operating Fund	\$ 22,121	\$ -	\$ 22,121
Construction Fund	17,661	-	17,661
Total Operating Funds	<u>39,782</u>	<u>-</u>	<u>39,782</u>
Depreciation Fund	3,364	3,364	-
Bond & Interest Fund	-	-	-
Debt Service Reserve Fund	215,212	137,750	77,462
Customer Deposits Fund	<u>18,391</u>	<u>18,391</u>	<u>-</u>
	<u><u>\$ 276,749</u></u>	<u><u>\$ 159,505</u></u>	<u><u>\$ 117,244</u></u>

**Fortville Municipal Water Utility**  
**Cause Number 43551-U**

**Current and Proposed Rates and Charges**

For use of and service rendered by the waterworks system of the Town based on the use of water supplied by said waterworks system.

			<b>Current</b>		<b>Petitioner Proposed</b>		<b>OUCG Proposed</b>		<b>OUCG More (Less)</b>	
			<b>Inside Corporate Limits</b>	<b>Outside Corporate Limits</b>	<b>Inside Corporate Limits</b>	<b>Outside Corporate Limits</b>	<b>Inside Corporate Limits</b>	<b>Outside Corporate Limits</b>	<b>Inside Corporate Limits</b>	<b>Outside Corporate Limits</b>
<b>(a) <u>Metered Usage Per Month</u></b>										
<i>(Rates per 1,000 Gallons)</i>										
First	3,333	gallons	\$ 3.91	\$ 5.86	\$ 8.12	\$ 12.17	\$ 4.74	\$ 4.74	\$ (3.38)	\$ (7.43)
Next	3,334	gallons	2.92	4.37	6.06	9.07	3.54	3.54	(2.52)	(5.53)
Next	6,667	gallons	2.28	3.41	4.73	7.08	2.76	2.76	(1.97)	(4.32)
Next	10,000	gallons	1.63	2.46	3.38	5.11	1.97	1.97	(1.41)	(3.14)
Over	23,334	gallons	1.32	1.98	2.74	4.11	1.60	1.60	(1.14)	(2.51)

**(b) Minimum Monthly Charge**

<b><u>Size of Meter</u></b>		<b><u>Gallons</u></b>								
5/8	inch meter	3,015	\$ 11.79	\$ 17.67	\$ 24.48	\$ 36.69	\$ 14.28	\$ 14.28	\$ (10.20)	\$ (22.41)
3/4	inch meter	6,112	21.14	31.67	43.89	65.76	25.61	25.61	(18.28)	(40.15)
1	inch meter	12,967	37.13	55.58	77.09	115.40	44.98	44.98	(32.11)	(70.42)
1 1/2	inch meter	22,481	52.88	79.33	109.79	164.71	64.06	64.06	(45.73)	(100.65)
2	inch meter	46,233	84.50	126.77	175.45	263.21	102.36	102.36	(73.09)	(160.85)
3	inch meter	102,247	158.44	237.68	328.97	493.49	191.93	191.93	(137.04)	(301.56)
4	inch meter	183,704	265.96	398.96	552.21	828.36	322.17	322.17	(230.04)	(506.19)
6	inch meter	212,762	304.31	456.50	631.84	947.83	368.63	368.63	(263.21)	(579.20)

		<b><u>Current</u></b>	<b><u>Petitioner Proposed</u></b>	<b><u>OUCG Proposed</u></b>	<b><u>OUCG More (Less)</u></b>
<b>(c) <u>Fire Hydrants</u></b>					
Municipal fire Hydrants - per hydrant - per annum		\$ 498.72	\$ 1,035.49	\$ 604.12	\$ (431.37)
Private Fire Hydrant - per hydrant - per annum		498.72	1,035.49	604.12	(431.37)

**(d) Private Fire Protection**

2 inch connection and under - per annum	\$ 139.64	\$ 289.93	\$ 169.15	\$ (120.78)
3 inch connection	239.39	497.04	289.98	(207.06)
4 inch connection	398.98	828.40	483.30	(345.10)
6 inch connection	597.48	1,240.54	723.76	(516.78)
8 inch connection	797.94	1,656.76	966.58	(690.18)

**Fortville Water Works  
Unaccounted for Water**

OUCC ATTACHMENT 1

CAUSE NO. 43551-U

PAGE 1 OF 1

Year 2008

		<u>Sold</u>	<u>Daily Ave.</u>	<u>Pumped</u>	<u>Daily Ave.</u>	<u>% Unaccounted</u>
		<u>x 1000</u>	<u>x 1000</u>	<u>x 1000</u>	<u>x 1000</u>	
<b>Jan.</b>		8,569	276	12,882	416	33.5%
<b>Feb.</b>		10,266	367	12,365	442	17.0%
<b>Mar.</b>		9,885	319	12,833	414	23.0%
<b>Apr.</b>		9,049	302	12,889	430	29.8%
<b>May</b>		10,882	351	13,512	436	19.5%
<b>Jun.</b>		12,399	400	14,031	468	11.6%
<b>Jul.</b>		10,432	337	14,411	465	27.6%
<b>Aug.</b>		10,151	327	15,434	498	34.2%
<b>Sep.</b>		13,164	438	14,925	498	11.8%
<b>Oct.</b>						#DIV/0!
<b>Nov.</b>						#DIV/0!
<b>Dec.</b>						#DIV/0!
<b>Total</b>		94,797		123,282		23.1%
<b>Average</b>		10,533	346	13,698	452	23.1%

# **M.E. SIMPSON COMPANY, INC. - Technical Services** **COMPOUND / TURBINE / DISP. METER TEST REPORT**

Client : Fortville, IN

Account name : Town of Fortville Plant Meter Account no. : \_\_\_\_\_  
 Building Name: Water Plant Meter no.: \_\_\_\_\_  
 Address: 400 Church Street (W) Reg ID : \_\_\_\_\_  
 Meter location Vault just outside of water plant AMR ID: \_\_\_\_\_  
 Meter size : 8" Brand: Sensus - 300 Type: Prop S/N: 45533  
 Test port: No Bypass: No Inlet valve No Outlet valve Yes

## **READINGS**

Confined Space: Yes O2 Level: 20.8 Gas Present: None Ok to Enter: Yes Supervisor: Eric Bingham  
 Meter Reading Upon Arrival T/H: 542647 L: \_\_\_\_\_ FM: \_\_\_\_\_ Units: Gallons  
 Meter Reading After Post Test T/H: \_\_\_\_\_ L: \_\_\_\_\_ FM: \_\_\_\_\_ Units: \_\_\_\_\_  
 Remote Reading Upon Arrival T/H: \_\_\_\_\_ L: \_\_\_\_\_ FM: \_\_\_\_\_ Units: \_\_\_\_\_

## **TEST AND REPAIR DATA**

Tested: 07/11/08 9:16 AM By: Eric & Jeff Repaired: \_\_\_\_\_ By: \_\_\_\_\_  
 Upon Arrival - Meter Sealed ☒ Bypass Sealed ☐ Upon Departure - Meter Sealed ☒ Bypass Sealed ☐

TESTS	Test Results			Post Test Results		
Compound	Flow Rate GPM	Allowable Test Accuracy	Actual Test Accuracy	Flow Rate GPM	Allowable Post Test Accuracy	Actual Post Test Accuracy
Minimum		97 - 103			95 - 103	
Below C.O.						
Change Over		90 - 103			90 - 103	
Above C.O.						
Intermediate		97 - 103			97 - 103	
Maximum		97 - 103			97 - 103	

Turb./Disp.	Flow Rate GPM	Allowable Test Accuracy	Actual Test Accuracy	Flow Rate GPM	Allowable Post Test Accuracy	Actual Post Test Accuracy
Start	/		/			
Minimum	/	98 - 102	/		90 - 102	
Intermediate	/	98 - 102	/		98 - 102	
Maximum	415	98 - 102	101		98 - 102	

## **TEST AND REPAIR COMMENTS**

The meter tested within accuracy limits derived from AWWA M6.

**M.E. SIMPSON COMPANY, INC. - Technical Services****COMPOUND / TURBINE / DISP. METER TEST REPORT**Client : Fortville, INAccount name Town of Fortville Plant Meter

Account no. : \_\_\_\_\_

Building Name Water Plant

Meter no.: \_\_\_\_\_

Address: 400 Church St. (W)

Reg ID : \_\_\_\_\_

Meter location Vault just outside of water plantMeter size 8"Brand: Sensus - 300Type: PropS/N: 45533Test port: NoBypass: NoInlet valve NoOutlet valve Yes**READINGS**Confined Space: Yes O2 Level: 21.0 Gas Present: None Ok to Enter Yes Supervisor: Gary L. DelayMeter Reading Upon Arrival T/H: 458475 L: \_\_\_\_\_ FM: \_\_\_\_\_ Units: Gallons

Meter Reading After Post Test T/H: \_\_\_\_\_ L: \_\_\_\_\_ FM: \_\_\_\_\_ Units: \_\_\_\_\_

Remote Reading Upon Arrival T/H: \_\_\_\_\_ L: \_\_\_\_\_ FM: \_\_\_\_\_ Units: \_\_\_\_\_

**TEST AND REPAIR DATA**Tested: 3/8/02 10:30 AM By: Gary & Brian

Repaired: \_\_\_\_\_ By: \_\_\_\_\_

Upon Arrival - Meter Sealed ☒ Bypass Sealed ☐Upon Departure Meter Sealed ☒ Bypass Sealed ☐

TESTS	Test Results			Post Test Results		
Compound	Flow Rate GPM	Allowable Test Accuracy	Actual Test Accuracy	Flow Rate GPM	Allowable Post Test Accuracy	Actual Post Test Accuracy
Minimum		97 - 103			95 - 103	
Below C.O.						
Change Over		90 - 103			90 - 103	
Above C.O.						
Intermediate		97 - 103			97 - 103	
Maximum		97 - 103			97 - 103	

Turb./Disp.	Flow Rate GPM	Allowable Test Accuracy	Actual Test Accuracy	Flow Rate GPM	Allowable Post Test Accuracy	Actual Post Test Accuracy
Start						
Minimum	200	97 - 103	90		97 - 103	
Intermediate	300	97 - 103	98		97 - 103	
Maximum	400	97 - 103	101		97 - 103	

**TEST AND REPAIR COMMENTS**

The meter tested within AWWA accuracy limits.



## **M.E. SIMPSON COMPANY, INC. - Technical Services**

### **COMPOUND / TURBINE / DISP. METER TEST REPORT**

Client : Fortville, INAccount name Town of Fortville Plant Meter

Account no. : \_\_\_\_\_

Building Name Water Plant

Meter no.: \_\_\_\_\_

Address: 400 Church St. (W)

Reg ID : \_\_\_\_\_

Meter location Vault just outside of water plantMeter size 8"Brand: Sensus - 101Type: PropS/N: 45533Test port: NoBypass: NoInlet valve NoOutlet valve No

### READINGS

Confined Space: Yes O2 Level: 20.9 Gas Present: None Ok to Enter No Supervisor: Michael WhitakerMeter Reading Upon Arrival T/H: 126561.000 L: \_\_\_\_\_ FM: \_\_\_\_\_ Units: Gallons

Meter Reading After Post Test T/H: \_\_\_\_\_ L: \_\_\_\_\_ FM: \_\_\_\_\_ Units: \_\_\_\_\_

Remote Reading Upon Arrival T/H: \_\_\_\_\_ L: \_\_\_\_\_ FM: \_\_\_\_\_ Units: \_\_\_\_\_

### TEST AND REPAIR DATA

Tested: 1/27/00 10:30 AM By: Brian & Mike

Repaired: \_\_\_\_\_

By: \_\_\_\_\_

Upon Arrival - Meter Sealed ☒ Bypass Sealed ☐Upon Departure Meter Sealed ☒ Bypass Sealed ☐

TESTS	Test Results			Post Test Results		
Compound	Flow Rate GPM	Allowable Test Accuracy	Actual Test Accuracy	Flow Rate GPM	Allowable Post Test Accuracy	Actual Post Test Accuracy
Minimum		97 - 103			95 - 103	
Below C.O.						
Change Over		90 - 103			90 - 103	
Above C.O.						
Intermediate		97 - 103			97 - 103	
Maximum		97 - 103			97 - 103	

Turb./Disp.	Flow Rate GPM	Allowable Test Accuracy	Actual Test Accuracy	Flow Rate GPM	Allowable Post Test Accuracy	Actual Post Test Accuracy
Start	/		/			
Minimum	200	97 - 103	103		97 - 103	
Intermediate	300	97 - 103	97		97 - 103	
Maximum	400	97 - 103	94		97 - 103	

### TEST AND REPAIR COMMENTS

~~This test was done while the New Plant was running.~~ The meter failed to test within AWWA accuracy limits. We believe that the meter setting is affecting the meter accuracy. The turbulence created by the Y before the meter will have a greater effect on the meter as it becomes worn. We believe that the meter will need to be moved away from the Y connection of the two plants. The meter head assembly could be returned to the manufacturer for testing to verify that the setting is indeed the problem.

**M.E. SIMPSON COMPANY, INC. - Technical Services**  
**COMPOUND / TURBINE / DISP. METER TEST REPORT**

Client : Fortville, IN

Account name Town of Fortville Plant Meter Account no. : \_\_\_\_\_  
Building Name Water Plant Meter no.: \_\_\_\_\_  
Address: 400 Church St. (W) Reg ID : \_\_\_\_\_  
Meter location Vault just outside of water plant  
Meter size 8" Brand: Sensus - 101 Type: Prop S/N: 45533  
Test port: No Bypass: No Inlet valve No Outlet valve No

**READINGS**

Confined Space: Yes O2 Level: 20.9 Gas Present: None Ok to Enter Yes Supervisor: Michael Whitaker  
Meter Reading Upon Arrival T/H: 126558.000 L: \_\_\_\_\_ FM: \_\_\_\_\_ Units: Gallons  
Meter Reading After Post Test T/H: \_\_\_\_\_ L: \_\_\_\_\_ FM: \_\_\_\_\_ Units: \_\_\_\_\_  
Remote Reading Upon Arrival T/H: \_\_\_\_\_ L: \_\_\_\_\_ FM: \_\_\_\_\_ Units: \_\_\_\_\_

**TEST AND REPAIR DATA**

Tested: 1/27/00 10:00 AM By: Brian & Mike Repaired: \_\_\_\_\_ By: \_\_\_\_\_  
Upon Arrival - Meter Sealed ☒ Bypass Sealed ☐ Upon Departure Meter Sealed ☒ Bypass Sealed ☐

TESTS	Test Results			Post Test Results		
Compound	Flow Rate GPM	Allowable Test Accuracy	Actual Test Accuracy	Flow Rate GPM	Allowable Post Test Accuracy	Actual Post Test Accuracy
Minimum		97 - 103			95 - 103	
Below C.O.						
Change Over		90 - 103			90 - 103	
Above C.O.						
Intermediate		97 - 103			97 - 103	
Maximum		97 - 103			97 - 103	

Turb./Disp.	Flow Rate GPM	Allowable Test Accuracy	Actual Test Accuracy	Flow Rate GPM	Allowable Post Test Accuracy	Actual Post Test Accuracy
Start	/		/			
Minimum	200	97 - 103	101		97 - 103	
Intermediate	300	97 - 103	93		97 - 103	
Maximum	400	97 - 103	91		97 - 103	

**TEST AND REPAIR COMMENTS**

~~This test was done while the old plant was running.~~ The meter failed to test within AWWA accuracy limits.

**M.E. SIMPSON COMPANY, INC. - Professional Services****COMPOUND / TURBINE / DISP. METER TEST REPORT**Client : Fortville, INAccount name Town of Fortville Plant Meter

Account no. : \_\_\_\_\_

Building Name Water Plant

Meter no.: \_\_\_\_\_

Address: 400 Church St. (W)Meter location Vault just outside of water plantMeter size 8"Brand: Sensus - 101Type: PropS/N: 45533Test port: NoBypass: NoInlet valve NoOutlet valve No**READINGS**Confined Space: Yes O2 Level: 20.9 Gas Present: None Ok to Enter Yes Supervisor: Brian StoddardMeter Reading Upon Arrival T/H: 000000.000 L: \_\_\_\_\_ FM: \_\_\_\_\_ Units: Gallons

Meter Reading After Post Test T/H: \_\_\_\_\_ L: \_\_\_\_\_ FM: \_\_\_\_\_ Units: \_\_\_\_\_

Remote Reading Upon Arrival T/H: \_\_\_\_\_ L: \_\_\_\_\_ FM: \_\_\_\_\_ Units: \_\_\_\_\_

**TEST AND REPAIR DATA**Tested: 3/5/99 8:00 AM By: Brian & Jeff

Repaired: \_\_\_\_\_

By: \_\_\_\_\_

Upon Arrival - Meter Sealed ☐ Bypass Sealed ☐Upon Departure Meter Sealed ☐ Bypass Sealed ☐

TESTS	Test Results			Post Test Results		
Compound	Flow Rate GPM	Allowable Test Accuracy	Actual Test Accuracy	Flow Rate GPM	Allowable Post Test Accuracy	Actual Post Test Accuracy
Minimum		97 - 103			95 - 103	
Below C.O.						
Change Over		90 - 103			90 - 103	
Above C.O.						
Intermediate		97 - 103			97 - 103	
Maximum		97 - 103			97 - 103	

Turb./Disp.	Flow Rate GPM	Allowable Test Accuracy	Actual Test Accuracy	Flow Rate GPM	Allowable Post Test Accuracy	Actual Post Test Accuracy
Start	/		/			
Minimum	200	97 - 103	97		97 - 103	
Intermediate	300	97 - 103	100		97 - 103	
Maximum	400	97 - 103	103		97 - 103	

**TEST AND REPAIR COMMENTS**

We installed (meter supplied by W.D.) and tested this new meter. The meter tested within AWWA accuracy limits.



3406 Enterprise Avenue  
P.O. Box 1995  
Valparaiso, IN 46384-1995

800/255-1521  
Fax: 888/531-2444  
www.mesimpson.com

Branch offices:  
Grayslake, IL  
Indianapolis, IN

November 15, 1999

Mr. Joe Renner  
Street Department Superintendent  
Town of Fortville  
714 East Broadway  
Fortville, Indiana 46040

Dear Mr. Renner,

M.E. Simpson Company is a professional & technical service company that offers Leak Survey Programs, Large Meter Testing and Repair Programs, Water Main Location, and Valve Exercising, Location and Computer Mapping Programs. These "Technical Services" offered by M. E. Simpson Company are designed to aid a utility in reducing unaccounted for water and lost revenue.

M. E. Simpson Company is pleased to submit this report of our leak detection survey for the Town of Fortville. This survey addressed the Fortville water distribution system, consisting of approximately 19 miles of water main. The report contains the results of our investigation that includes the following:

1. A DESCRIPTION OF THE AREA SURVEYED.
2. METHODOLOGY OF THE SURVEY.
3. A LIST OF LEAKS AND TYPE OF LEAK LOCATED.
4. GENERAL RECOMMENDATIONS BASED ON OUR INVESTIGATION.

#### DESCRIPTION OF THE AREA SURVEYED

Approximately 100,320 lineal feet were surveyed as part of the system investigation. This included all fire hydrants, all accessible mainline valves, and 17 services.

#### METHODOLOGY

Your survey was conducted using the latest state of the art leak computers, the **FLUID CONSERVATION SYSTEMS' Tri-Corr 2001** the 90/90 or C2000 with the **MP90** preamplifier-transducer system. All of these correlators are manufactured by Fluid Conservation Systems of Milford, Ohio. These electronic instruments are microprocessor units that measure the time it takes the sound of the leak to travel from the leak to the point where the leak correlator is connected to the water line. By connecting the leak correlator to the water line at two locations, it will compute the distance from the leak to each connection point thus enabling us to determine the exact leak location. Our experienced technicians used these devices, along with the **S20** electronically enhanced listening device, as listening equipment to survey your pipeline network. Each hydrant and accessible valve was used as listening points to identify leaks. 17 services, b-boxes, were used on an as needed basis to keep the listening distances under five hundred feet (500'). All PVC style watermains were investigated via correlation. Correlation distances for PVC did not exceeding five hundred feet (500') unless listening points were unavailable. "**Pin-Pointing**" of the leak, as well as locating leaks that other methods fail to reveal was also done with this equipment.

# **LEAKAGE LOCATED**

All water mains within the project area were surveyed and 11 leaks were located. These leaks have been grouped as follows: Main Line Leak - 1, Service Line Leak - 8, Valve Leak - 0, Hydrant Leak - 2, Other Type Leak - 0. All of these leaks have been verbally reported to your office with these locations, so many have probably been repaired already. Following are the leak locations with an estimated GPD (Gallons Per Day) leakage potential.

Type	Location	SIZE
Main Line	Alley between Main Street & Merrill Street see enclosed diagram	36,000 GPD
Service Line	236 Main Street (alley behind) see enclosed diagram	7,200 GPD
Service Line	414 - 416 Poplar Street see enclosed diagram	7,200 GPD
Service Line	421 Walnut Street & High Street see enclosed diagram	7,200 GPD
Service Line	423 Poplar Street & High Street see enclosed diagram	7,200 GPD
Service Line	507 Poplar Street & High Street see enclosed diagram	7,200 GPD
Service Line	625 Mill Street & Madison Street see enclosed diagram	7,200 GPD
Service Line	Leland Avenue & Hamilton Street see enclosed diagram	7,200 GPD
Service Line	Main Street & Park Street see enclosed diagram	7,200 GPD
Hydrant	23 Main Street (behind Mozzi's Pizza) see enclosed diagram	1,080 GPD
Hydrant	Madison Street & Stone Crest Apts. Entrance see enclosed diagram	1,080 GPD
<b>11 Leaks Located</b>	<b>ESTIMATED LEAKAGE TOTAL</b>	<b>95,760 GPD</b>

## LEAK QUANTITIES

Quantifying leaks is difficult because there is not any accurate means of doing so. Pipe material, size of the leak, system pressure, soil material and water table will effect the noise that a leak makes. Small leaks under high system pressure will make more noise than a large leak under low system pressure. However, the above leaks are of sufficient noise levels that the above estimates should be very conservative. Using a production price of \$0.55 per thousand gallons, these leaks were costing your utility in excess of \$52.00 per day or \$18,980.00 annually. It's obvious that this Leak Survey Program has proven to be cost effective. Naturally the main line leaks have the greatest potential for loss followed by service line, valves, and finally hydrants. Once leaks have been repaired, we would recommend that the Utility compare pumping rates before and after. This information will be more meaningful and accurate.

## RECOMMENDATIONS

This survey confirms that the Town of Fortville's water distribution system will benefit from this project by a reduction in underground leakage. There is always a concern over the cost effectiveness of leak detection because of the uncertainty of the number of leaks located. However, with your present cost of water and the discovery of these eleven leaks, the cost of this 1999 leak survey will pay for itself within four months. It only takes a recovery of about 25,000 gallons per day on an annual basis (25,000 gallons per day is only 17.36 gallons per minute throughout your entire water distribution system) to recover your investment. We would recommend that you conduct a Leak Survey Program every year. This recommendation becomes more critical as your cost of water increases.

We appreciate the cooperation of Mr. Renner and his staff who were available to answer our questions during this project. If you have any questions with the information in this report, please do not hesitate to call.

Sincerely Yours,



Michael D. Simpson  
Vice President / General Manager

43551-U

Page 1 of 2

OUCC ATTACHMENT 4

CAUSE NO. 43551-U

PAGE 1 OF 16

**Daniels, Sandy**

**From:** Haeny, Kathleen on behalf of UCC Consumer Info  
**Sent:** Tuesday, October 14, 2008 7:33 AM  
**To:** Daniels, Sandy  
**Subject:** FW: IURC Cause #43551-U

A Fortville comment.

---

**From:** Andes, Rick [mailto:RAndes@penskeautomotive.com]  
**Sent:** Saturday, October 11, 2008 9:38 AM  
**To:** UCC Consumer Info  
**Cc:** gomarky13@aol.com; tgilbert@fortvilleindiana.org; ssimmons@fortvilleindiana.org;  
rstafford@fortvilleindiana.org; pscrogham@fortvilleindiana.org; jratliff@fortvilleindiana.org;  
bcole@greenfieldreporter.com  
**Subject:** IURC Cause #43551-U

Regarding the proposed increase in the Fortville water rates, it is insane. I have a family of 3, myself, my wife and a 12 year old son. We have not been watering our grass or washing our cars and my monthly consumption has run in the neighborhood of 7800 gallons. So the dollar amount presented to us based on 5000 gallons is a number from fantasy land. Currently I pay \$25.35 for water plus \$1.77 tax. I pay \$45.26 for wastewater and \$8.00 for storm water. That brings my bill to \$80.38 per month. For 3 people! What will this do to larger families or businesses? During the current economic times, bleeding people for another 97% is ridiculous! We need economic growth now more than ever and increasing fees is NOT the way to do it. How much more do they need!?! People are being kicked out of their houses. The price of gas has skyrocketed. Businesses are suffering because people just don't have the money to spend and these "politicians" want more. What about the seniors in our community? They are pulling one more board from under the feet of citizens who can barely stand now. I beg you. Stop the madness! Deny the greed!

Rick Andes

\*\*\*\*\*

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10/14/2008

**Daniels, Sandy**

43551-U

**From:** Swinger, Anthony  
**Sent:** Thursday, October 30, 2008 8:52 AM  
**To:** Daniels, Sandy; Kaufman, Edward; Bell, Scott; Patrick, Charles (Chuck); Pettijohn, Roger; Stull, Margaret; Levay, Daniel; Boyd-Stedje, Gina; Haeny, Kathleen  
**Subject:** Consumer comments - Mary Lou Garrison - Fortville Muni Water (43551-U)

Gina and Kathy: Please enter these comments and my response into the database. Thanks.

Case team: FYI

---

**From:** Swinger, Anthony **On Behalf Of** UCC Consumer Info  
**Sent:** Thursday, October 30, 2008 8:42 AM  
**To:** 'Mary Lou'  
**Subject:** RE: IURC Cause No. 43551-U

Ms. Garrison:

Thank you for your e-mail. I am confirming that we have received your comments regarding the Fortville Municipal Water rate case before the Indiana Utility Regulatory Commission (IURC), and am forwarding them to our consumer services staff and our case team. We appreciate your taking the time to share your concerns as we continue to review the utility's request.

Sincerely,  
Anthony Swinger  
Director of External Affairs  
Indiana Office of Utility Consumer Counselor (OUCC)

---

**From:** Mary Lou [mailto:garrml@indy.rr.com]  
**Sent:** Thursday, October 30, 2008 4:07 AM  
**To:** UCC Consumer Info  
**Subject:** IURC Cause No. 43551-U

Please have mercy on us here in Fortville. This town has very little to offer but the town council is wanting to raise our water bills again. My name is MaryLou Garrison and I reside at 209 N. McCarty. I have five apts to rent and all my renters are upset about the rising of the water rates. First they have to pay 125.00 to even get water going and then if they leave with unpaid water bills, I have to pay them. Plus I pay around ninety dollars a month and sometime as much as a hundred for my own water. I have never watered my grass but did water my flowers this summer. I live alone as my husband is in a nursing home, so I do clothes for both of us. I go to Texas a couple times each year and my bill doesn't go down tho I may be gone 7-10 days. I try to really watch how much water I use. The water bills have always been high in Fortville. I think it deters people from moving here. The town council is always talking about growing but nothing happens here except they raise the water bills. They even stopped recycling unless you pay for it yourself. I have live here all life and use to love it. But the town council just keeps trying to find ways to get in out pockets. My friend lives in Greenfield and pays alittle over 50.00 for water,sewage,storm. I would have signed the petition but did not know it was going around. Thank Goodness somebody is standing up for us. They annexed 700 acres awhile back saying those people would pay for the new water tower. The article in the paper said those people would not have to pay as high as water bills-what kind of deal is that ? They borrowed money a few years to take care of the water problems but it is never enough. We

10/30/2008



people here in Fortville have no say over anything that affects us and they try to annex anyone who is breathing into the town whether they want to be or not JUST so they can get their money for hook-up. They have made decisions that has our town in serious money problems because they act uninformed and in haste. When they annexed the 700 acres in they had not had time to review what all that would mean and one the departing council members, who was not reelected made a statement something like "oh,well let them deal with it." They are a joke and people here are miserable with their hands tied behind their back with no say or way to stop anything they decide to do. PLEASE help us and turn them down they are a runaway car that won't stop on it's own. Thank you for listening. 317-485-8025

**Daniels, Sandy**

**From:** Swinger, Anthony  
**Sent:** Thursday, October 30, 2008 8:52 AM  
**To:** Daniels, Sandy; Kaufman, Edward; Bell, Scott; Patrick, Charles (Chuck); Pettijohn, Roger; Stull, Margaret; Levay, Daniel; Boyd-Sledge, Gina; Haeny, Kathleen  
**Subject:** Consumer comments - Doug Griffey - Fortville Muni Water (43551-U)

Gina and Kathy: Please enter these comments and my response into the database. Thanks.

Case team: FYI

-----Original Message-----

**From:** Swinger, Anthony On Behalf Of UCC Consumer Info  
**Sent:** Thursday, October 30, 2008 8:42 AM  
**To:** 'Doug Griffey'  
**Subject:** RE: [website comments]

Mr. Griffey:

Thank you for your e-mail. I am writing back to confirm that we have received your comments regarding the Fortville Municipal Water rate case before the Indiana Utility Regulatory Commission (IURC), and am forwarding them to the OUCG's consumer services staff and our case team. We appreciate your taking the time to share your concerns as we continue to review the utility's request.

Sincerely,  
 Anthony Swinger  
 Director of External Affairs  
 Indiana Office of Utility Consumer Counselor (OUCG)

-----Original Message-----

**From:** Doug Griffey [mailto:dgriffey4@hotmail.com]  
**Sent:** Wednesday, October 29, 2008 7:39 PM  
**To:** UCC Consumer Info  
**Subject:** [website comments]

**Name:** Doug Griffey  
**Email:** dgriffey4@hotmail.com  
**Phone:** 317-485-6178  
**Body:**

I would like to address (IURC Cause No. 43551-U). The town of Fortville would like to raise our water bill 97%. I do not see how they can possibly justify this kind of an increase. When I heard of this, I asked my boss if I could have a 97% raise. I told him that all of my utility bills, along with everything else was going up. He laughed and said not 97%. I told him if the town has their way, my water bill will go up 97%. I have lived in Fortville all my life, it's a small town that is beginning to grow. I've seen a lot of pipe put in the ground to supply a few homes

in very rural areas. Now, we are seeing subdivisions pop up everywhere. A little more pipe and a little more work supplies many homes. All of these homes have a water bill today. Where is this money going? Like many people, and businesses, I've been trying to cut back on spending, and be more cautious of where my money goes. The town of Fortville needs to do the same. I can see a price increase, but not 97%. This is just more of the same greed that is hurting our economy today. I live on a dead end street, with nine houses on it. Most of the people on our street are retired, on fixed incomes. The town just charged us \$7500 per household to have a sewer line run down our street. It cost me \$2025 to have a pipe put in to my house. The town would have charged me another \$1950 to tap in if I didn't do it before year end. That's \$9025, that could have helped get one of my four children to college. Now they want to double my bill. Please do not let them get away with this. Thank you for allowing me to comment on this matter.

43551-4

**Daniels, Sandy**

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**From:** Haeny, Kathleen on behalf of UCC Consumer Info  
**Sent:** Friday, November 07, 2008 7:22 AM  
**To:** Daniels, Sandy  
**Subject:** FW: Fortville Water Rate

---

**From:** dan and mary [mailto:danandmarybrown@yahoo.com]  
**Sent:** Thursday, November 06, 2008 4:04 PM  
**To:** UCC Consumer Info  
**Subject:** Fortville Water Rate

I responded to the letter that was sent out with our opposition of the increase. I did not see the announcement of the hearing.

I agree with the residents at the hearing. In today's economic crisis the residents of Fortville are just making ends meet now. We can NOT afford such an increase at this time. I understand the costs of a new water tower is causing the necessity for this but why can't the town absorb most of it and increase the rate over the next 2 to 4 years. A smaller increase would be justified but not the increase they are requesting.

Dan and Mary Brown  
1051 Leland St.  
Fortville  
317-485-8056

Daniels, Sandy

43551-U

**From:** Haeny, Kathleen on behalf of UCC Consumer Info  
**Sent:** Wednesday, November 12, 2008 7:53 AM  
**To:** Daniels, Sandy  
**Subject:** FW: IURC Cause No. 43551-U  
**Attachments:** Water Rate Hearing.doc

Don't know if you've received this already but I wanted to ensure you have it.

Kathy

---

**From:** CAPTDAHUFF@aol.com [mailto:CAPTDAHUFF@aol.com]  
**Sent:** Monday, November 10, 2008 9:35 AM  
**To:** UCC Consumer Info  
**Subject:** IURC Cause No. 43551-U

## **“IURC Cause No. 43551-U,”**

So, Fortville “wants” to raise the water rates. Fortville “wants” to build a new water tower. Fortville “wants” to build a new waste treatment facility. Fortville “wants” to grow. Fortville is no different than anyone one else as we all “want” something. Wanting things that we pay for later have gotten this country in BIG trouble.

It's no surprise to the Fortville Community that the town government “wants” these things. You see, it was only less than a year ago The Fortville Town Council took it upon themselves to annex and rezone over 700 acres. They partnered with a developer who had no plan, who wanted to go against The Hancock County Ten Year Comprehensive Growth Program and would not listen to area residents who just wanted any new developments to “just fit in”. We were told this partnership and deal with the developer who was supposed to build a new water tower and waste treatment facility as his part of the deal was solid as a rock. I was told “This guy is controllable” by Mike Farris, a Town Board Council Member at the time.

All this was voted thru by The Fortville Town Council, 3 to 2 after The Hancock County Plan Commission voted against the annexation and rezoning suggestion. I call it a suggestion because there was no plan and apparently there was no partnership or deal because the developer, Platinum Properties LLC is now no where to be found and the properties he was to have bought are for sale again and now under The Fortville tax structure.

Many of us understood that if development and growth was to come to Fortville, we would in fact need more water and sewer capacity. The entire community surrounding Fortville was and still is concerned about locations of these new utilities, if needed. We are concerned about growth and the attraction of it. We are concerned about the condition of the commercial areas of Fortville and the need to revitalize that area FIRST. That revitalization would come without a need for new utilities. If that is all successful, the growth would come naturally as it should.

I have lived near Fortville for over 35 years and have never seen or heard of any efforts to get this town going in the right direction. Rebuilding is not easy, but with the older areas of town right on the two main arteries, SR 67 and SR 13, it only makes sense to keep the business and commercial attractions in that area.

The school district was asked to support a new swimming pool facility. We were told the old pool leaked some 5000 gals of water a day. They asked for the moon and settled for at least stopping the leak.

At a time money is tight for everyone, we need to consider the "wants". Yes, my wife and I have "wants", but we don't want debt. In fact we don't own any debt, but we worry that our pension is tied up in debt and today's financial mess. We fear the loss of those funds. That's our way of life support. At a time many are loosing their jobs and income, the cost of projects like water towers should be going down, not up.

Fortville made a BIG mistake in their deal with Platinum Properties LLC. No one wanted that deal but the Town Council. They did what they wanted and lost. Now they want to do it again. A pay hike in water rates will not be an attraction to the area. This is backwards thinking! Their "wants" are understood, but not acceptable.

David Huff  
9030 N 200 West  
Fortville, IN 46040  
317-485-5415

---

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43551-U

OUCC ATTACHMENT 4  
CAUSE NO. 43551-U  
PAGE 9 OF 16

S & J Partners, LLC  
The Laundry  
415 W. Broadway  
Fortville, In 46040

November 7, 2008

RE: IURC Cause No. 43551-U

Consumer Services Staff,

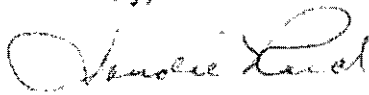
To get to the point a 97% increase in the cost of water would most probably put our small coin operated laundry out of business. Since we opened in February of 2005 we have seen costs sky rocket in Gas, property taxes, storm sewer run off and now water. There is a limit to what you can charge a customer to do a load of laundry. Gas has doubled and commercial property taxes have tripled in that amount of time and we pay nearly \$80 per month for storm water sewers that do not exist in our area of town yet. We are just barely keeping our doors open now. The choice is to raise the rates again to many customers that are on fixed incomes or are struggling to make ends meet already.

This 97% increase would make our average monthly water bill jump from \$450/\$500 to \$900 /\$1000. It takes a lot of loads of laundry to make up for these unbelievable rate hikes. For this raise alone it would take an additional 285 loads of laundry to be washed each month just to pay for the raise. At an average of 3 loads per customer per week we would need to have 95 more customers a month just to make up the difference without raising our prices.

We have filled a need in Fortville with this small Laundromat but if we are forced to raise our rates once again to accommodate yet another outrageous utility rate hike the town and the people will suffer the consequences of no laundry facility in town.

I am a business person and understand that everything costs money and some increases are going to occur but this is outrageous. I urge you not to allow this high rate increase at this already difficult time for all consumers.

Sincerely,



Sandie Reed  
Owner, The Laundry

**Daniels, Sandy**

43551-U

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**From:** Haeny, Kathleen on behalf of UCC Consumer Info  
**Sent:** Thursday, November 13, 2008 7:00 AM  
**To:** Daniels, Sandy  
**Subject:** FW: Fortville Water Utility Rate Increase Request Cause No. 43551-U  
**Attachments:** Indiana Utility Regulatory Commission Water Rates.doc; Indiana Utility Regulatory Commission Water Rates.doc

Additional comments from consumer who contacted us in September.

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**From:** d.bertelson@att.net [mailto:d.bertelson@att.net]  
**Sent:** Wednesday, November 12, 2008 10:38 PM  
**To:** UCC Consumer Info  
**Subject:** Fortville Water Utility Rate Increase Request Cause No. 43551-U

To OUCC/IURC:

Cause No. 43551-U

My comments in regard to the Fortville Water Utility rate increase request are attached. A hard copy will follow in the mail.

Dale Bertelson  
301 E. Staat St.  
Fortville, IN 46040

11/13/2008



To: Indiana Utility Regulatory Commission

In Re: Cause # 43551-U

Town of Fortville, Indiana Water Utility Rate Increase Request

On behalf of myself and all water rate payers in the Town of Fortville, Indiana I strenuously object to an approval of the Fortville Town Council's petition to the IURC for a 96.85% increase in water rates. My objections are based on the following:

- The Town Council has failed to keep rate payers informed of any specific budget issues related to the operation and maintenance of the water utility that would demonstrate the need for a rate increase;
- The Town Council has not demonstrated to the rate payers that the water utility has developed or implemented any programs or initiatives aimed at reducing the cost of production or improving the efficiency of operations of the water plant; the town's own filing with the IURC shows that over 35% of the water produced is unaccounted for;
- The Town Council has never published an honest, accurate and up-to-date accounting of the costs of operating and maintaining the water utility that would justify a rate increase;
- The largest single water user (*Kemira*) closed over a year ago. It was the largest single revenue stream for Fortville Water Utility. With *Kemira*'s departure, the demand for water is now reduced, thus there is no longer justification for increasing water rates to the other rate payers; *Kemira*'s departure also makes the additional water tower unnecessary;
- Over the past decade, the Town Council has made repeated attempts at removing the Fortville water utility for the oversight of the IURC, stating that the costs associated with a rate increase request are excessive and the process requires the services of an attorney. Their persistence at removing the water utility from IURC oversight demonstrates that the Town Council interest is not consistent with the interests of the rate payers. The IURC provides Fortville rate payers with their only protection from the water utility monopoly that allows can raise rates without justification whenever they choose. The rate payers have already seen this trend in wastewater rates, with no end in sight;
- The Pro Forma Operating Receipts and Disbursements Statement does not take into account that the water utility employees and manager are shared with the wastewater utility and the salaries, expenses and benefits are paid from wastewater fund; other services may also be shared and not paid exclusively from water utility revenues;
- The Pro Forma also shows the Town Manager's salary, insurance, PERF and other benefits are paid from water utility revenues even though he is not a water utility employee and contributes nothing to the operation or maintenance of the water utility; it is likely that the Town Council will use the water rate increase to increase the salary of the town manager and themselves, confirming rate payers' suspicions that the town uses the water utility as a "bank" for activities unrelated to the operation or maintenance of the water utility;

- The Town Council members are also paid from water revenues, even though they contribute nothing to the operation or maintenance of the water utility;
- While the Town Council has assured the rate payers that increased water rates will not impact wastewater rates, there is nothing preventing them from raising the wastewater rates since the wastewater utility is not regulated by the IURC; it is likely that they will increase wastewater rates within 1-2 years following this requested rate increase;
- The information in the IURC filing does not make a compelling, or even a convincing case for increasing water rates. The Fortville Water Utility has no demonstrable program for operating efficiently, for quality control or for meeting current and future demands through improved production and conservation. The Fortville Water Utility has failed to demonstrate that it has programs aimed at strategic planning, improved production, increased efficiency or conservation. The same can be said for the wastewater and stormwater programs. Fortville has collected \$8.00/month/household for stormwater for four years and all they have done is send two simple questionnaires, which were copied from the IDEM website. That's not much return for the money. The water utility is operated by the same group of people.

For all of these reasons, I oppose the rate increase and do not believe that the Town Council can justify its request to increase rates.

Respectfully Submitted,

Dale R. Bertelson  
301 East Staat St.  
Fortville, IN 46040

October 29, 2008

RECEIVED

NOV 13 2008

IURC CAUSE NO. 43551-U

IN THE MATTER OF THE PETITION OF FORTVILLE MUNICIPAL WATER UTILITY FOR A  
NEW SCHEDULE OF RATES AND CHARGES

If you would like to comment for the record in this cause you must complete this form.  
Oral and /or written testimony is welcome (both carry equal consideration).

(PLEASE PRINT)

NAME: SHIRLEY ARNETTADDRESS: 228 NOEL LANE

PLEASE PROVIDE THE NAME OF ANY FIRM OR ASSOCIATION YOU ARE REPRESENTING:

DO YOU WISH TO VERBALLY TESTIFY? (Circle one) YES ☐ NO ☒I OFFER THE FOLLOWING WRITTEN TESTIMONY:

(You may make both written and oral comments)

Last Sept. the town of Fortville annexed our  
neighborhood into Fortville, a sewage line was  
put down Noel, at the cost of \$7500<sup>00</sup> per household,  
in my case it's going to cost me another few thousand  
dollars to hook onto the sewage line, so needless

ADDITIONAL COMMENTS MAY BE PLACED ON THE BACK OF THIS SHEETSignature: Shirley Arnett Date 11-4-08

Comments provided in this cause are considered public records pursuant to the Indiana Access to  
Public Records Act (Indiana Code 5-14-3-1, et seq.).

to say, after all these expenses, this old  
retired widow certainly doesn't need an  
exorbitant water bill to pay each month!

## INDIANA UTILITY REGULATORY COMMISSION PUBLIC FIELD HEARING

October 29, 2008

IURC CAUSE NO. 43551-U

IN THE MATTER OF THE PETITION OF FORTVILLE MUNICIPAL WATER UTILITY FOR A  
NEW SCHEDULE OF RATES AND CHARGES

If you would like to comment for the record in this cause you must complete this form.  
Oral and/or written testimony is welcome (both carry equal consideration).

(PLEASE PRINT)

NAME: Larry E JacksonADDRESS: 230 E. Michigan St. Fortville, In. 46040

PLEASE PROVIDE THE NAME OF ANY FIRM OR ASSOCIATION YOU ARE REPRESENTING:

DO YOU WISH TO VERBALLY TESTIFY? (Circle one) YES NO

DO OFFER THE FOLLOWING WRITTEN TESTIMONY:

(You may make both written and oral comments)

We are on a fixed income this would really  
put us in a bind. There are a lot of people  
in this little town that are in this same  
fix. We know that there needs to be  
something done, but they need to find

ADDITIONAL COMMENTS MAY BE PLACED ON THE BACK OF THIS SHEET

(over)

Signature: Larry E JacksonDate 10-30-08

Comments provided in this cause are considered public records pursuant to the Indiana Access to  
Public Records Act (Indiana Code 5-14-3-1, et seq.).

a different way, I lost a bond cut back in some of the other things they over spend on. This new rate would put a lot of people in the trick bag.

In a small farm town something like this will cause people to have to cut back on gas for car & truck to do thing that have to do to keep a family going, With the cost of natural gas going up on winter heating bills higher this is something we can't afford. Food cost are up electric is up and now you want to up the water bill.

We are paying \$75.00 + a month and not using our water on anything like washing cars, watering lawns how can we pay more on a fixed income.

People like us on Social Security and there are a good percentage of those people in this little town that can't pay extra. But this little town thinks this is alright because it will be nice to have something <sup>SAV</sup> we did it no matter what the people are able to afford.

Thank You

Larry E Jackson